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RESPONSES TO DEREGULATION IN THE U.K.
BUS TRANSPORT INDUSTRY

by

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1.0 Introduction

Despite important differences in industry structure, regulatory provisions and market needs, the U.K. experience of deregulation is of some significance here in Canada. Airline and rail deregulation presently under government review is likely to have some impact upon the bus sector. Provincial governments are rethinking their approaches to financial support and regulatory frameworks for buses, for instance, the Ontario transportation minister recently appointed a bus regulatory review committee with a mandate to produce a new set of regulation policy proposals for the industry--the first such overhaul since the early 1950s.

Unlike telecommunications and airlines where, internationally, there is accumulating evidence about the effects of the policy, little is known about the way deregulation will work in bus transport. There are arguments and economic models to support a variety of conclusions about the desirability of increased competition but there has been little opportunity to test these in practise.

The main hypothesis of pro-market advocates is that deregulation will lead to greater price competition, more consumer choice, a search for internal economies and efficiency, and an improved allocation of resources in the industry as a whole. However, the mechanism through which this is achieved is rarely specified. At best, it is assumed by policy makers that entrepreneurs, who perceive they may offer a service at a lower price and still make a profit, will enter into rivalrous competition with those offering a service at less than full efficiency.

Evidence from the U.K. suggests this version of the competitive process to be oversimplified. While price competition based upon superior efficiency represents one potential strategy, other types of responses are available. Innovation, which is strategy based upon

doing things differently rather than doing things more efficiently, is observed in certain circumstances. Another strategy we call consolidation is widely practised and involves the articulation of political and institutional support for particular ideas (Butler & Carney, 1986). This perspective, along with the debate about bureaucrats and entrepreneurs, is developed in Section 2.

The structure of the U.K. bus industry, the regulatory framework, and the provisions for deregulation are briefly outlined in Section 3. In Section 4 the strategies undertaken by operators are described in detail. A preliminary assessment of these responses and other related developments is made in Section 5.

2.0 Entrepreneurs versus Bureaucrats: The Case for Deregulation

It is suggested here that how one views the results of deregulation depends upon how one expects the market to operate in practise. In its most basic form the case for deregulation reduces to postulated differences between entrepreneurs and bureaucrats--the former are agents of competition in a free market, the latter are, essentially, managers operating within an organized or bureaucratic environment. The superiority of entrepreneurs is based upon beliefs about the inadequate motives of bureaucrats. The argument runs along the following lines: Managers in a regulated industry have no incentive to respond to the demands of customers because they know that they cannot go bankrupt or lose their jobs. As a result they will tend to be inefficient, they will permit costs to rise and pass them on to consumers who have no alternative but to pay because there is no choice of using another firm's services. Deregulation permits those who believe a better job can be done to enter the industry and set up in rivalrous competition with the bureaucrat. Providing the government is willing to let the latter go out of business, there is an incentive to improve the way things are done which will ultimately benefit the consumer. In this view, the impact of deregulation is to be assessed around the parameters of efficiency, price and consumer choice.

The role played by cross-subsidization is critical in this industry. The argument for cross-subsidization is based upon the averaging of costs which permits a particular operator to subsidize socially desirable, but unprofitable routes from profitable ones. Deregulation will allow entrepreneurs to enter the profitable routes and reduce the surplus available for subsidization purposes.

The argument against cross-subsidization suggests

suggests the principle is merely a convenient way for an operator to hide inefficiencies (Hibbs, 1971). Evidence is adduced from statistics which show large public bureaucracies to be overstaffed in relation to private firms, for example, see Table 1.

TABLE 1
RATIO OF EMPLOYEES TO VEHICLES: 1979, 1984

	1979			1984		
	<u>Direct</u>	<u>Indirect</u>	<u>Total</u>	<u>Direct</u>	<u>Indirect</u>	<u>Total</u>
L.T.E.	3.2	2.4	5.6	3.4	2.2	5.6
P.T.E.	2.3	1.9	4.2	2.2	1.8	4
Municipals	2	1.3	3.3	1.9	1.3	3.2
NBC	2	1.5	3.5	1.8	1.4	3.2
SBG	1.8	1.3	3.1	1.6	1.4	3
Private	.7	.5	1.2	.6	.6	1.2

'Direct' includes drivers and conductors.

'Indirect' means all other staff.

'Total' is total staff employed per vehicle operated.

L.T.E.=London Transport

P.T.E.=Passenger Transport Executives

NBC=National Bus Company

SBG=Scottish Bus Group

Source: H.M.S.O. Transport Statistics: 1980, 1985.

Table 1 suggests that public bureaucracies are inefficient because they have large overheads, in this case due to the high ratio of non-productive administrators. Pro-market advocates argue, on this basis, that the actual true cost of running an unprofitable route is overstated in a bureaucracy because averaging costs raises the costs of all routes. The important question is: Does it follow that deregulation will lead to an abandoning of 'unprofitable' routes due to the bureaucracies' inability to cross-subsidize? At this point, the argument usually turns to an analysis of long and short term, fixed and variable costs, and the debate becomes mired in wrangling over definitions about what constitutes a cost.

Pro-market advocates suggest that none of this matters. If a firm cannot make an adequate return upon a route, it should get out; however, it does not follow that the route will be abandoned. With free entry and exit, another operator (possibly small and with lower overheads) may find it profitable to operate such a route. Moreover, if economic demand did not justify service but other, social considerations required it, then government might devise some other mechanism to support the socially desirable activities. Friedman (1982) for example,

argues for individual cash transfers or vouchers to in-need groups. In the U.K. bus industry, the preferred solution is the direct subsidization of particular routes through a process of competitive negative bidding--the firm requiring the least subsidy to operate a given route is awarded the franchise.

The question which is not effectively answered by pro-market theorists is why so many excess bureaucrats should be employed by public bureaucracies and why private firms do not employ non-productive labour. A number of explanations have been offered (eg. Niskanen, 1971; Tullock, 1979), but all remain in need of verification. One potential explanation is developed here.

2.1 Markets, Information and Coordination

In a regulated state, bureaucrats deal in information and coordination. For example, they are required to monitor market trends, locate demand for services, allocate resources to satisfy this demand, or more generally, coordinate supply and demand. The process is what Chandler (1977) calls the 'visible hand' of management. In a free market the coordination of supply and demand is done costlessly through the operation of the 'invisible hand'--no one is paid to match supply with demand but the task is, however, performed (Hayek, 1945). For example, in a bureaucracy, if there is a feeling that a particular route needs service, a task force or team is sent out to determine the exact requirement by using a variety of tools and techniques which have been developed through professional training. In a free market, the same task might be performed by an entrepreneur who will put on a bus for a time to test the demand (Carney, 1984). Incidentally, a number of best-selling authors (eg. Peters & Waterman, 1982) have advocated this "try it-test it" entrepreneurial approach as an alternative to planning in organizations of all types and sizes.

To summarize, deregulation implies a cost-advantage will accrue to entrepreneurial firms which do not carry the burden of sophisticated planning and coordination staffs. To compete, public bureaucracies must shed staff performing non-productive coordination activities since these tasks are now provided at no cost by the market mechanism. That is, of course, unless bureaucrats do in fact perform a valuable and socially productive task.

2.2 Price and Non-Price Competition

A consequence of the classical view of perfect competition is that we expect to see deregulation bring about price competition as the means of bringing supply into line with demand. However, such a mode of competition

defies all the instincts of the simple entrepreneur as sustained price competition does not lead to long-term profits. While price wars may intermittently break out, they are typically accidental and steps are soon taken to end hostilities. Private business knows that long-term viability is better assured when it does not compete head-on with those offering similar services. Elsewhere we have suggested that two other strategies are available as a means of avoiding price competition (Butler & Carney, 1986). These are the innovative and consolidative strategies. Innovation simply means doing something different from competitors, such as applying a new management technique or offering a different type of service, or taking an existing idea and applying it in another context.

The consolidative strategy means an organization will seek to defend a particular market from predators. In the private sector, firms enter into collusive agreements to limit competition; in the public sector, firms attempt to coopt the support of government to achieve the same end.

These strategies are designed to protect against damaging price competition and the aggregate effect is to produce a dynamic process characterized by diversity of behaviour and outcomes. This strategical process permits organizations to proclaim their uniqueness, an outcome which is the opposite of that predicted by the classical view of competition. This view posits competition as a mechanism which ensures efficiency. To test this implicit hypothesis, one has to compare like with like, that is, firms must be comparable and homogenous. This test can only be performed under the assumptions of perfect competition and in the hypothetical state of market equilibrium. However, this discussion of strategy suggests firms will seek to avoid the homogenizing forces of the market and strive to differentiate themselves, so avoiding strict efficiency tests of performance.

3.0 Market Structure and Regulation

The U.K. bus transport industry has, like most bus transport sectors throughout the world, contracted in both relative and absolute terms as a mode of transport. In 1954, the peak year for U.K. bus travel, 40% of all transport mileage was made on buses; in 1984, the figure is less than 8% and continues to fall. Despite this trend, the Department of Transport believes bus transport will continue to play an important role in the future since it anticipated that 25% of the population, and 40% of households, will not have access to private transportation in the year 2000.

The bus industry may be divided into four broad sectors: stage, express, tours, and contract/private hire. Table 2 shows the size of each of these sectors in terms of vehicle kilometres and the proportion accounted for by the principle operators for the years 1979 and 1984. The industry is operated by a mixture of private firms, crown corporations, and local and municipal government departments. The London Transport Executive (LTE) is a department of the Greater London Council and is also responsible for the operation of the London Underground. LTE is similar in structure to Passenger Transport Executives (PTE) which are operated by county councils in densely populated areas of the country. The principle underlying their structure is area coordination, and differs from municipal operators who are controlled at the city or town council levels. The National Bus Company (NBC) and Scottish Bus Group (SBG) are structured on a regional basis and together operate approximately 50 subsidiaries in rural areas and in towns with no municipal operation. The NBC/SBG also operate an extensive inter-city network.

The private sector consists of a large number of independent companies which range in size from more than 1800 one-vehicle businesses up to a handful owning 200-400 vehicles. The various types of operators are closely associated, linked together in a variety of ways. The present public sector is largely an outcome of the reorganization of the industry mandated by the 1968 Transport Act. Under this act PTEs were instructed to allow NBC operators to share some traffic routes which allow NBC to cross-subsidize unprofitable rural routes. Prior to deregulation, the relationship between PTEs, NBC and municipal operators had generally been cooperative.

A number of private operators are effectively appendages of the NBC. Some subscribe to national agreements on wages and conditions of service or through area arrangements on routing. Companies in the public sector often print the timetables of their smaller neighbours in their booklets (Hibbs, 1971). There are also a number of joint services in the express coach sector: a typical arrangement is for the NBC to use the capacity of private operators in busy periods such as weekend peaks or during the holiday season.

Most towns in the U.K. with a population of 20,000 or more have an internal transport system based upon stage services. It is the decline in this sector which accounts for the decline in bus transport in general; between 1974 and 1984, the provision of these services fell by approximately 10%. However, stage services still account for the largest proportion of the total market

TABLE 2
 MARKET SHARE/KILOMETRES BY
 OPERATOR AND SERVICE TYPE: 1979, 1984

		1979					
OPERATOR	SERVICE					Operator Total Kilom	Operator % Total Share
		Stage	Express	Tours	Con- tract		
LTE		11.9	-	-	-	265	8
PTE		24	-	-	1.4	505	15
Municipal		10.6	-	-	1.0	242	7
NBC/SBG		48.7	59	20	8.8	1253	38
Private		6.3	41	80	89	1073	32
		100	100	100	100		100
Service Total Km		2204	141	98	896	3338	
Service Share		66	4.2	3	26.8	100	
		1984					
LTE		12.6	-	-	-	268	8
PTE		22.3	1	-	1	486	14.5
Municipal		10.4	1	1	1	235	7
NBC/SBG		46.7	77	10	7	1182	35.6
Private		7.8	21	89	91	1142	34.3
		100	100	100	100		100
Service Total Km		2125	142	128	918	3314	
Service Share		64	4.3	3.8	27.8	100	

Source: HM.S.O. Transport Statistics: 1980, 1985.
 Kilometres in millions

(64% in 1984) and provision is dominated by the public sector.

The Express sector is a long distance (defined as 'over 30 miles' in the 1980 Act), limited stop, inter-city service. While this segment represents only a fraction of total bus travel (approximately 4%), it is significant from the point of view of this paper as it is this segment which has been most liberalized as a result of deregulation. Immediately apparent from Table 2 is the growth in the market share of the NBC/SBG, up from 59% to 77% between the years of 1979 and 1984, in a relatively stagnant market.

The Tours sector represents the smallest part of the market (3%) but is unique in bus transport in that it is growing rapidly. Tours are essentially express services without 'one-way fares', but Tours is clearly identifiable as the 'leisure' sector. Table 2 underestimates the growth in this sector since it represents figures for domestic travel only and omits international tours which are currently enjoying a boom period.

The Contract and Private Hire sector is the school and work bus sector. It also has a large 'leisure use' component to it. The private hire market is a product of a legal definition and the U.K. licensing system, and in many ways, Private Hire is similar to Tours. An individual, club or organization may hire a bus on a tours basis (i.e., no single fare allowed) but only members of the club, etc. may travel. The service may not be advertised except in places where club, pub, association members are likely to frequent. The sector is clearly dominated by the private sector who account for 90% of its mileage. The sector is of particular importance to the smaller private operator (i.e., having 15 or less vehicles) who account for 60% of the sector.

In general, the U.K. bus transport industry, though declining, is still a significant business, with revenues of £ 2.1 billion 1984. Though dominated as a whole by public organizations, there is a significant private sector involvement which, in 1984, accounted for almost 25% of industry-wide revenues.

The 1980 Transport Act. Prior to the 1980 Transport Act, economic regulation of the industry had remained essentially unchanged since the 1930s. The industry continues to be regulated by traffic commissioners who award licenses for particular routes to operators according to pre-determined criteria. The main provision of the 1980 Transport Act was to abolish the licensing requirement for express services. A similar provision was made for the Tours sector, but this has attracted less attention due to the apparent liberality on the part of the traffic commissioners when awarding Tour licenses in the past. The control of prices and fares was also liberalized.

4.0 Responses to Deregulation

4.1 The Data

The data upon which this paper is based are part of a comparative study of regulation and corporate strategy (Carney, 1984). The relevant data was collected by a mailed questionnaire to 150 private operators in 2 U.K. regions in June 1981, approximately 9 months follow-

ing the implementation of the 1980 Act. The response rate was 22% (33 of 150); a further 30 firms were subsequently reached by telephone. The source of data was supplemented with several personal interviews and by extensive archival material. Data on public sector organizations included in this paper is exclusively archival.

4.2 An Entrepreneurial Revolution?

Given the objectives of the 1980 Act, one test of the implicit classical theory is to examine the extent and nature of responses from the private sector. The overwhelming response of the private sector to the opportunities created through deregulation was to do nothing at all. A third (11 of 33) of those operators answering the questionnaire had not done and were not planning to do anything at all as a result of the 1980 Act. Of a further 30 operators reached by telephone, 20 were not planning to do anything. Another 5 had recently gone out of business.

An explanation for this apparent inertia is to be found in the make-up of the private sector. The 'average' private sector organization is an extremely weak creature compared to the public sector bus firm (see Table 3). While the private sector in the aggregate accounts for 25% of the industry's revenues and 40% of the vehicle stock, any one firm is very small. 60% of private sector capacity is in the hands of firms with less than 14 vehicles. In 1979 there were nearly 4000 independent firms operating only 7000 buses between them. While there are very few public operators with less than 100 vehicles, there are only 20 private firms with more than 50 buses.

The private sector is dominated by the small family-owned firm operating a few buses in a well-established niche such as works and school bus sectors. Often a particular service had been operated by the same family for two or more generations. Several operators indicated they were quite happy with such a business and possessed neither the resources nor the inclination to venture into more competitive arenas. If the Government was anticipating an entrepreneurial revolution, it is not at all clear that it could be led by present private sector operators.

The next class of responses are those that one might reasonably expect as a result of deregulation. That is, greater price competition and simple market extension (Butler & Carney, 1986). Simple market extension means that an operator will extend services already offered, for example, an operator with 20% of his business in Tours will attempt to offer more Tours services. 17 of the 22 more proactive firms fall into this category.

TABLE 3
OPERATOR SIZE (VEHICLES OPERATED) 1979

PUBLIC SECTOR			PRIVATE SECTOR		
	# of Operators	Mean # Vehicles Operated	# of Vehicles	# of Operators	Mean # Vehicles Operated
LTE	1	6157	under 5	3678	1.9
PTE	7	1524	5 - 14	1486	8
Municipals	51	114	15 - 24	241	18.5
NBC*	37	481	25 - 49	111	33
SBG*	7	546	50+	20	88
Total Operators	103		Total Operators	5536	
Total Vehicles	44328		Total Vehicles	29154	

* NBC and SBG numbers are subsidiaries.

Thirteen of these 17 represented a response that might be called 'sector creeping', that is, a firm will attempt to add services in areas that account for the smallest proportion of existing business. For instance, a firm whose major line of business is contracting, but operates a few tours, will attempt to build up the tours side; firms whose major business was tours will attempt to build up express work and so on. The process is one of relatively minor or gradual extensions of the firm's domain into sectors where the firm has at least some experience.

The second important class of responses were those that involved fares and prices. 14 of the 21 pro-active firms had made some type of price/fare adjustment as a result of the 1980 Act. The interesting point about these price adjustments is that they give little evidence of 'price competition' in the sense of attempting to undercut another operator on a comparable service (a few operators did say this was their intention). The majority, however, were attempting to create more discriminating fare structures by offering volume discounts, off-peak, off-season special rates which better reflected the nature of the operators' loading patterns. Fare controls effected through the traffic commissioners had worked to standardize fare structures in a way that did not match the particular economies of individual firms--the liberalization of pricing permitted operators to bring fares and costs back into line.

In both these response types, the general thrust or intent is that of increased efficiency. New routes

were manned by underutilized buses and represented a marginal commitment of resources since withdrawal and reallocation is a rather simple task. A number of operators indicated that they had tried new services but had soon withdrawn when demand proved inadequate. Others said they would withdraw from new routes if business had not improved within a short period of time. Only 5 firms in the sample had entered markets where they had no experience. However, there are a number of other ventures not covered by the sample data which should be mentioned.

In the Express segment, the most significant development was the formation of British Coachways (BC), a consortium of 8 large private operators who put together a fleet of almost 700 vehicles to compete head-on with NBC's express network. The reasoning behind the venture was described by the operations manager of the lead unit: "The benefits are mainly logistical; the need to have pick-up points in various parts of the country along with breakdown, repair services and substitute buses and to avoid having empty coaches travelling all over the place. Only a large organization can manage this and compete effectively with NBC's massive service."

BC attempted to compete with NBC on the basis of a three-pronged strategy: lower price, higher in journey service (videos, etc.), and a large promotional effort. In the first year of operation, the venture encountered a variety of problems.

NBC reacted swiftly by matching BC's prices on a route-for-route basis. NBC also excluded BC and other private operators from their facilities--in the past, private firms had relied heavily upon NBC's infrastructure of bus stations. In general though, the impact of BC's promotional campaign was to increase traffic on NBC's buses!

Three of the participants withdrew from the venture within the first year of operation. The venture collapsed completely within two years--some operators attempted to service particular high-volume routes as independents, but these efforts too very quickly failed and most went back toward the collaborative relation with NBC. Table 2 shows that NBC's market share of the Express sector increased from 59% to 77% over a 5-year period.

5.0 Discussion and Evaluation

It was suggested in Section 2 that how one views the results of deregulation depends upon the theory one holds about the way markets and competition operate in practise. Adherents to what we have called the classi-

cal view must be a little disappointed with the effects of the 1980 Transport Act. The evidence presented in the preceding section indicates a high degree of inertia on the part of many private sector operators. Many have a comfortable niche in private and contract-hire markets, and for the most part are unconnected to the wider network of coach and bus transport. Others had established a niche within public sector-dominated markets (Stage and Express) where they were heavily dependent upon one or other public operator. In a declining, lean environment it would appear that these operators were reluctant to step out into the rough waters of market competition and risk losing essential sources of existing support.

This should not be too surprising. The industry had been tightly regulated for 50 years and during that time a certain equilibrium had been reached. Prior to deregulation, the major task facing all operators had been the continuous adjustment to a steadily declining market for bus travel. The public and private sectors had reached a mutual accommodation--private sector operators were prepared to rely upon their larger and stronger public partners for support. Public operator strategy was directed at articulating support from government in the form of ensuring direct subsidies and securing access to funds from local authority rates and central government revenues. The network of interdependence between public and private operators was not well recognized by those anticipating an 'outbreak' of free competition.

Another interpretation of events is that we are perhaps witnessing a very gradual movement toward a user-supported, market-based system of bus transport. However, this involves giving more weight to the more proactive private operators. The typical response of proactive entrepreneurial operators was a small commitment of resources to a new market segment. These limited commitments (buses and drivers; some advertising expenditures) were generally underutilized anyway due to excess capacity in a declining industry compounded by a severe economic recession--and to that extent did not represent an expensive investment. A classical market theorist might be encouraged by this, suggesting that the market mechanism actually works in this way: operators gradually, incrementally, or experimentally discovering opportunities. This gradual extension permits the operator to evaluate the move before making a further commitment. Over time we might expect these experiments to fully discover the exact need for bus travel. The classical market theorist might suggest this is the manifestation of the 'information-processing' function of the market.

If the private sector is gaining ground, then the

process is painfully slow. In 1979 private sector revenues accounted for 21% of total industry revenues; in 1984, these had increased to 23%. However, Table 2 suggests little progress had been made. In the largest sector (Stage), private operators' share has increased from 6.3 to 7.8, but this does not represent real growth; the private sector has merely held their own in a declining market. Private operators lost ground in the Express sector. Only in the leisure areas (Tours and Contract) has the private sector position improved, but this sector has traditionally been dominated by private operators.

In contrast with the view that a free market system is emerging, we may give more weight to the observation of many inert private operators and to the public sector operators who in many cases have effectively pre-empted competition and private sector initiatives. The consolidatory stances of NBC and, to a lesser extent, municipal and PTEs have successfully defended a number of domains from private sector competition. From this perspective, successful consolidatory strategies directed at government have caused the industry to rapidly move back to its pre-deregulation equilibrium. A second aspect of the consolidatory strategy involves NBC co-opting private operators. A number of express service operators reverted back to an interdependent relationship with NBC by pooling resources and offering joint services. We might anticipate that in the future NBC will remain the dominant partner in such relationships and that the position is little different from the pre-deregulation days where NBC used private operators to cope with seasonal and cyclical peaks in demand.

Those anticipating improved public sector efficiency have been disappointed too. The measure of efficiency cited in Table 1 does show some improvements in staff to vehicle ratios, but those changes are part of longer-term trends that had begun long before deregulation (eg. 1-person operated buses; consolidation of public operators into larger units). One long-term study of efficiency in bus operations (Acton, 1983) suggests that by the adoption of the most modern working practises, the best the average public operator can expect to achieve is a 10% increase in efficiency. Government had originally believed increases of 30% were possible.

An alternative way of assessing the impact of deregulation is to look at developments in terms of the dynamic process outlined in Section 2. From this perspective we can hypothesize that the real impact of deregulation has been to increase the rate of managerial and technological innovation in the industry as a whole. Furthermore, it is suggested that this has been done

in a way that government and regulators did not, and arguably could not, have anticipated. In this final section one type of innovation, Managerial, is discussed.

5.1 Management Innovations

Since deregulation, NBC and the public sector appear to have embraced the 'marketing concept'. Prior to this, public management had a strong operational focus: keeping the buses running being the critical task, marketing was widely believed to be expensive and unnecessary. One might argue that NBC were too concerned with efficiency.

At the prospect of deregulation, NBC initiated major market research, product planning and a reorganization which delegated operational responsibilities to subsidiary companies (Winfield, 1984). Senior management began to speak of the 'needs' and the 'leisure' markets. A major investment in the leisure sector (international holidays) proved successful. NBC discovered that they were essentially a marketing organization which linked the work of a number of subsidiaries.

The experience of British Coachways forced NBC to realize the value of their own marketing infrastructure (High Street booking agents, bus stations, etc.). The British Coachways promotional campaign increased the public's interest in bus travel but it directed customers into NBC-owned channels and facilities.

The important discovery here is the critical role played by customer habit or inertia--customers had become used to going to an NBC bus station, and it apparently takes more than a marginally lower price or improved service to lure people away from established travelling habits. This factor suggests there are major limitations to private sector entrepreneurial "try it-test it" forays into the market place. These fail because travelling patterns change very slowly and the methods used to detect demand (eg. putting on a bus for a short trial period) are inadequate to the task. Research by Goodwin (1985) suggests these habits take years to form and may be life-long in effect. In another study, Fairhead (1981) shows that the prospect of significant cost savings did not induce commuters to abandon rail travel in favour of commuter buses.

In conclusion, we might suggest that the larger public sector organizations are at a distinct advantage over the private sector as they possess the necessary planning and administrative expertise to identify, co-ordinate and service demand. All this should not be very surprising to managers in large private sector orga-

nizations who recognize the importance of marketing and long-term product planning and, generally, allocate the required resources to these functions.

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