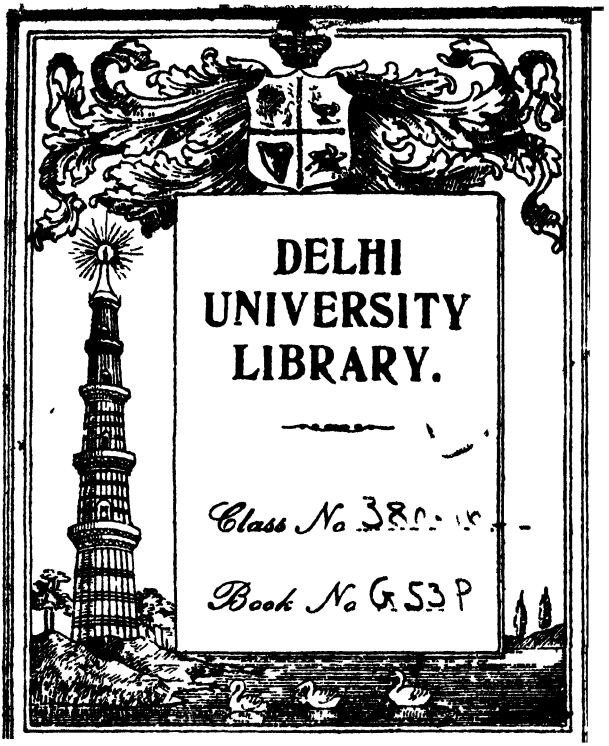
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THE PUBLIC CORPORATION IN GREAT BRITAIN

THE PUBLIC CORPORATION IN GREAT BRITAIN

By

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Throughout the following discussion, I have tried to make statements of fact only upon incontrovertible authority, whether published or from oral sources. I have not hesitated to express judgments upon matters of policy, or condemnation of actions which appeared to me out of harmony with the proper purposes or nature of the public corporation, but I have sought clearly to distinguish between such inferences and exposition proper. For all such expressions of opinion, I am solely responsible.

LINCOLN GORDON

DUNSTER HOUSE
Cambridge, Massachusetts
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I

THE EVOLUTION OF THE PUBLIC CORPORATION

"THE modern development of corporate trade," wrote Dicey more than thirty years ago, "has in more ways than one fostered the growth of collectivist ideas. It has lessened the importance of the individual trader. It has transformed the abstract principle that all property, and especially property in land, belongs in a sense to the nation, into a practical maxim on which Parliament acts every year with the approval of the country. It constantly suggests the conclusion that every large business may become a monopoly, and that trades which are monopolies may wisely be brought under the management of the State." [1]

Public enterprise in Great Britain was at that time narrowly limited. In local transport, gas, water, and electricity supply, municipal operation already overshadowed the competing forms of private enterprise. On a somewhat larger scale similar industries were conducted by joint boards and *ad hoc* bodies of commissioners, especially for the control of harbours. The sole example of nation-wide governmental activity in the economic sphere was the Post Office, which had not yet secured full control of the telephone system. In the intervening three decades the trend noted by Dicey has shown a steady growth, until at the present day a large section of political opinion, represented by the Labour Party, advocates the nationalisation of all major basic industries, while intelligent opinion without exception holds that in the considerable and expanding sphere occupied by so-called public utility services,[2] enterprise is of necessity monopolistic, and should be

[1] A. V. Dicey, *Lectures on the Relation between Law and Public Opinion during the Nineteenth Century* (1st ed., London, 1905), p. 247.

[2] The meaning of this phrase is somewhat disputed. An American authority emphasises virtual monopoly, whether actual or potential, as the distinguishing characteristic, noting that the concept is not static. W. E. Mosher and F. G. Crawford, *Public Utility Regulation* (New York, 1933), pp. 3–13. On the whole I subscribe to R. G. Hawtrey's definition, "a service in which a tendency to a local monopoly necessitates the intervention of a public authority to defend the interests

carried on either by some form of non-profit-making public authority or by private concerns under the closest public supervision and control. Within a portion of this latter field, moreover, no form of public control without ownership has been deemed adequate, and direct public operation has entered into an ever-widening province.

Extensions of municipalisation have proceeded along well-worn and almost standardised lines, involving administration by a permanent municipal service under the control of committees of the local authority. The very economic forces underlying the expansion of public enterprise, however, have often dictated some more extensive area as the suitable administrative unit, extending in some cases to the entire nation. Yet the national political system is ill adapted to commercial administration. The proper guiding objective of public businesses is far removed from the domain of ordinary party politics. In the tentative experimental fashion characteristic of British administration when reaching out into unexplored territory, and only half realising the import of its action, the second Baldwin Government implemented in 1926 the recommendations of reports prepared under its own and previous régimes, by founding two authorities inspired in general form by the local *ad hoc* port trust but covering a nation-wide area, namely the British Broadcasting Corporation and the Central Electricity Board. They were semi-autonomous commercial organisations, regulating their own personnel and, in the main, their financial arrangements, but forbidden to draw profit from their services and governed by boards appointed for stated terms by Ministers of the Crown. Within two years they were recognised as prototypes of a new and unique administrative form,[3] which under the name " public corporation "[4] was adopted in 1930 by Mr. Her-

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of the consumer," with the qualification that the service be of especial public interest and that the intervention may take the form of enforcing monopoly in place of monopolistic competition. Hawtrey, " The Finance of Publicly-Owned Utilities in Relation to the General National Finance," in 4 *Public Administration* 352 (October, 1926).

[3] Under the legend " National Undertakings operated by officially appointed *ad hoc* Bodies." *Britain's Industrial Future, being the Report of the Liberal Industrial Inquiry* (London, 1928), p. 67.

[4] H. Dalton in *Practical Socialism for Britain,* (London, 1935), p. 94, ascribes the popularisation of this title to William Graham.

It is adopted by H. Morrison, *Socialization and Transport* (London, 1933),

bert Morrison, Labour Minister of Transport, for the management of London's passenger transport system. It is this form of administrative organisation, together with the older local bodies upon which it was modelled, that constitutes the subject matter of the present work.

In essence the public corporation represents an attempt to apply to public administration when extended to commercial enterprise the type of organisation evolved for large-scale private commercial administration by the joint stock company. Perhaps no feature in recent thought in applied economics in this country is more striking than the rapidity with which it has gained favour among almost all sections of opinion. It was first taken up by the Liberal Industrial Inquiry of 1928, which found "weighty arguments for requiring Government undertakings to be conducted in a form analogous to that of joint-stock companies, the capital of which is owned and the Directors appointed by the State," and recommended its application to municipal as well as national public enterprise.[5] A more recent official Liberal publication has reaffirmed this belief.[6] Lord Allen of Hurtwood has described it as "an accepted expression of the British commonsense way of doing a technical job efficiently and with general consent."[7] Professor A. C. Pigou, a professional economist in the classical tradition, has seen in the public corporation a way of overcoming the major disadvantages of public enterprise,[8] while a less orthodox economist, Mr. J. M. Keynes, has also given it the stamp of his approval.[9] In 1932 Lord Wolmer, a Conservative ex-Minister, proposed the transference of the Post Office from departmental management to a public corporation, which he considered "the modern conception of dealing with monopoly services."[10] Its greatest appeal, naturally, has been to leaders of socialist thought and of the Labour Party, who have seen in it a technique for the suc-

Chap. IX, and used by me throughout rather than the alternative "public utility trust," preferred by M. E. Dimock, *British Public Utilities and National Development* (London, 1933), p. 44.

[5] *Britain's Industrial Future*, pp. 76–77.

[6] *The Liberal Way, A Survey of Liberal Policy*, published by the Authority of the National Liberal Federation, (London, 1934), p. 170.

[7] *Britain's Political Future*, (London, 1934), p. 139.

[8] *The Economics of Welfare* (4th ed., London, 1932), pp. 334, 390.

[9] *The End of Laissez-Faire* (London, 1926), pp. 41–42.

[10] *Post Office Reform* (London, 1932), p. 281.

cessive nationalisation of all major basic industries in the course of a gradual transition to a socialised economy.[11] Among this latter class of its proponents is Mr. Herbert Morrison, the foremost contemporary figure in popularising the conception as applicable to a wide range of industrial undertakings.[12] Finally, and significant of the measure of political agreement on this topic, the authors of *The Next Five Years,* drawn from the three major political parties and a wide circle of non-political public figures, agreed that "'public corporations' of varying constitution, but independent of current ministerial direction, save on specified and limited questions, will be found preferable to direct nationalisation under political control."[13]

In short, while the widest differences of opinion remain as to the proper scope of public enterprise, there is well-nigh universal concurrence, except on the extreme left wing of the political arena, on the utility of the public corporation as a form of organisation where such enterprise is adopted. This trend to commercialisation of public administration on joint-stock company lines is not restricted to Great Britain. In the United States, for example, the spate of government owned corporations created upon America's entry into the great war[14] has been succeeded in recent years by similar bodies for peace-time purposes, like the Emergency Housing Corporation, the Subsistence Homestead Corporation, the Surplus Relief Corporation, the Electric Home and Farm Authority, the Home Owners' Loan Corporation, the Federal Deposit Insurance Corporation, the Reconstruction Finance Corporation, the Inland Waterways Corporation,[15] and, head and shoulders above the others in its significance for future administrative developments, the Tennessee Valley Authority. Many of these bodies were created for temporary objectives and some are

[11] H. Dalton, *op. cit.,* pp. 93–100; Labour Party, *Labour and the Nation* (London, 1928), pp. 25–29; G. D. H. Cole, *Economic Tracts for the Times* (London, 1932), Chaps. XII and XIII; *For Socialism and Peace, the Labour Party's Programme of Action,* adopted by the Annual Conference at Southport, 1934; Schemes of socialisation for the cotton and coal industries as proposed by the General Council of the Trades Union Congress, reported in *The Times,* 19 August 1935. Cf. also Labour Party publications on the socialisation of individual industries.

[12] Cf. *Socialization and Transport, passim,* but especially Chap. IX.

[13] *The Next Five Years, an Essay in Political Agreement* (London, 1935), p. 91.

[14] H. A. Van Dorn, *Government-Owned Corporations* (New York, 1926).

[15] M. E. Dimock, *Developing America's Waterways* (Chicago, 1935).

already dissolved, but the two last-mentioned conduct permanent services. In the Canal Zone, again, a striking example of the public corporation is afforded by the Panama Railroad Company.[16] With the exception of the Tennessee Authority, the American enterprises are distinguished by the presence on the governing board of an official of the national executive cabinet, voting the government's block of shares and therewith, since all or a majority of the voting securities are in government possession, exercising on critical issues a dominant voice in the management.[17] Under the American constitutional system, which dissociates cabinet officials from direct contact with Congress, this feature does not lead to immediate legislative pressure on the corporations, but it lays them open to a degree of political influence from the executive branch in sharp contrast with the strictly limited powers of Ministerial control over corresponding bodies in Britain.

In the British dominions, electricity supply authorities in Ontario and South Africa offer certain similarities to the public corporation in the mother country, while the B.B.C. has served as a model for operating boards in Canada, Australia, and New Zealand.[18] It is above all in continental Europe, however, that public enterprise employing more or less modified forms of private company organisation has come to occupy a wide field of activity, far wider indeed than that so far achieved here. Largely under the inspiration of Walther Rathenau,[19] semi-independent corporations have been applied in Germany not only to public utility services operated in the name of the community, but to fiscal monopolies and ordinary industrial undertakings as well. Between 1922 and 1924, the post office, railways,[20] and central bank were all reor-

[16] M. E. Dimock, *Government-Operated Enterprises in the Panama Canal Zone* (Chicago, 1934), Chaps. II–VIII.

[17] Dimock, "Principles Underlying Government-Owned Corporations," in 13 *Public Administration* 51, 56–7.

[18] Particularly noteworthy is the South African Electricity Supply Commission. Cf. Electricity Act, 1922, Act No. 42, Statutes of the Union of South Africa, 1922, p. 474.

[19] Cf. *Die neue Wirtschaft,* in *Gesammelte Schriften* (6 vols., Berlin, 1925), Vol. V, pp. 231ff.

[20] The formation of the German Federal Railway Corporation (*Deutsche Reichsbahn-Gesellschaft*) in August, 1924, was intimately associated with the settlement of reparations under the Dawes Plan. It should be noted, however, that proposals for the transfer of the railways to a public corporation on purely administrative and economic considerations, without reference to the reparations

ganised under the control of such autonomous public authorities. A precisely similar trend is noticeable in post-war Austria, Sweden, Switzerland, Belgium, France, and Rumania.[21] Even in States controlled by a single political party, where avoidance of political interference in the sense common to liberally constituted countries is unnecessary, it has been found convenient in the interests of commercial efficiency to devolve administrative powers upon semi-autonomous trusts. In Fascist Italy they have been utilised for fiscal monopolies, forestry, and credit institutions,[22] while in Soviet Russia State trusts were established under the New Economic Policy of 1921 for the whole of industry. The objects and political conditions peculiar to those two countries have naturally led to closer governmental supervision of the policy of these organisations than is ordinarily the case elsewhere.

One form of organisation popular abroad is almost wholly absent in Great Britain.[23] This is the joint-stock company incorporated in the ordinary manner, all the voting shares of which are owned by the State or local authority. While formally more independent than the public corporation, its independence is in practice less secure, for the State's representative may at any time use his voting power to dominate the undertaking for political ends. More flexible and more easily established than the public corporation, it is through that very flexibility more subject to abuse. In the British view, preservation of administrative auton-

problem, had been adopted in an Act of 12 February 1924, antedating the Dawes Resolutions. *Verordnung über die Schaffung eines Unternehmens "Deutsche Reichsbahn," Reichsgesetzblatt,* 1924, Vol. I, p. 57. Cf. A. Sarter and T. Kittel, *Die Deutsche Reichsbahn-Gesellschaft,* 3rd ed., (Berlin, 1931), p. 215.

[21] The outstanding collection of studies on Continental public enterprise is *Moderne Organisationsformen der öffentlichen Unternehmung,* edited by J. Landmann, Vol. 176 of the *Schriften des Vereins für Sozialpolitik* (4 parts, Munich and Leipzig, 1931–32). In addition, Cf. W. Gerber, *Die öffentlichen Unternehmungen in privatrechtlicher Form,* (Zürich, 1928); G. Sigloch, *Die Unternehmungen der öffentlichen Hand,* (Mannheim, 1929); M. Saitzew, *Die öffentliche Unternehmung der Gegenwart,* (Tübingen, 1930); and A. Chéron, *De l'actionnariat des collectivités publiques,* (Paris, 1928). A number of enlightening articles have appeared in the four-language Geneva periodical, *Annals of Collective Economy.*

[22] G. L. Field, "Forms of Organisation of Italian Public Undertakings," in 10 *Annals of Collective Economy* 1–47 (January-February, 1934).

[23] Two minor exceptions are the recently established London Electric Transport Finance Corporation and Railway Finance Corporation. They are merely *ad hoc* undertakings acting as agents of the Treasury for a very limited time and purpose. The Manchester Ship Canal Company and the Anglo-Persian Oil Company fall rather into the category of mixed undertakings.

omy requires a degree of precision in the relationship between public corporation and State not possible where the latter is the sole or controlling shareholder.

Even within its own class the British public corporation differs from Continental examples like the *Reichspost* and *Reichsbahngesellschaft* by the extraordinary lengths to which the principle of autonomy has been carried. Significant of this difference is the legal ownership of its plant by the corporation itself, whereas in law the corresponding German bodies are merely administrative organs operating special property (*Sondervermögen*) of the State. The board of directors of a British public corporation is given a portion of the economic field in which its responsibility is in principle unfettered. Only in its method of appointment, its constitutional incapacity to derive profit from the undertaking, and the very narrow provision for control by Parliament, Ministers, and special supervisory and quasi-judicial tribunals, is its independence, within that field as defined by Parliament, in any way modified.

The modern public corporation in its post-war form, as exemplified by the Broadcasting Corporation, the Central Electricity Board, and the London Passenger Transport Board, was inspired, as has been said, by the far older local port trust. This latter type of body, autonomous in administration and deriving its revenue from charges on shipping and commodities, is governed by boards for the most part elected by shipowners and merchants directly interested in the port and paying rates to the trust. It is, in short, a public authority predominantly representative of its immediate consumers. One third of Britain's 330 ports are so managed, the form serving as the chief alternative to operation in conjunction with a railway system.[24] Of the ten leading ports, the representative public trust manages five, namely London (Port of London Authority, 1909),[25] Liverpool (Mersey Docks and Harbour Board, 1858),[26] Glasgow (Clyde Navigation Trust, 1858),[27] Newcastle-

[24] *The Co-ordination and Development of Transport. Final Report of the Royal* [*Griffith-Boscawen*] *Commission on Transport,* Cmd. 3751 of 1931, Par. 445.

[25] Cf. Chap. II, *infra.*

[26] Mersey Docks and Harbour Act, 1857, 20 & 21 Vict., Ch. clxii; Mersey Docks Act Consolidation Act, 1858, 21 & 22 Vict., Ch. xcii.

[27] Clyde Navigation Consolidation Act, 1858, 21 & 22 Vict., Ch. cxlix; Clyde

upon-Tyne (Tyne Improvement Commissioners, 1850),[28] and Belfast (Belfast Harbour Commissioners, 1847).[29] Three, Southampton, Hull, and Harwich, are managed by railways; Manchester by a mixed company, on which the municipality has a statutory majority of one director;[30] and Bristol directly by the municipal corporation.

The historical origins of the *ad hoc* port trust are to be found in the numerous statutory authorities for special local government purposes established during the seventeenth, eighteenth, and early nineteenth centuries to undertake services now for the most part supplied by local authorities.[31] These 1,800 bodies, created by local Act of Parliament as Courts of Sewers, Incorporated Guardians of the Poor, Turnpike Trusts,[32] and Improvement Commissioners, all exhibit certain similarities to the modern port trust. Their powers were defined by statute, and they were free from control by any outside political authority. At the same time, the differences, financial and constitutional, are even more substantial. All but the turnpike trusts raised their necessary revenue from a general rate on property in their area of operation, limited by statute but with no direct relation to the service performed. The turnpike trusts, financed by statutory tolls on traffic over their roads, resembled commercial undertakings more closely, but shared with the other *ad hoc* bodies an unwieldy constitution, consisting of a large number of persons named in the particular Local Act who recruited new members by co-option. Members

Navigation (Constitution) Act, 1905, 5 Edw. VII, Ch. c. Cf. *Royal [Revelstoke] Commission on the Port of London, Minutes of Evidence,* Cd. 1152 of 1902, Q. 5009; *Appendices,* Cd. 1153 of 1902, p. 881.

[28] River Tyne Improvement Act, 1850, 13 & 14 Vict., Ch. lxiii; Tyne Improvement (Constitution and Works) Act, 1898, 61 & 62 Vict., Ch. viii. Cf. *Revelstoke Commission, Minutes of Evidence,* Q. 5346; *Appendices,* p. 944.

[29] Belfast Harbour Act, 1847, 10 & 11 Vict., Ch. liii. Cf. *Revelstoke Commission, Appendices,* p. 856. In several of these cases, as in Liverpool, the elective element encroached only gradually on the municipal; the date stated is that when the former became predominant.

[30] Manchester Corporation (Ship Canal) Act, 1893, 56 Vict., Ch. xix, S. 11.

[31] These bodies are described in detail in S. and B. Webb, *English Local Government — Statutory Authorities for Special Purposes* (London, 1922).

[32] The earliest turnpikes, from 1663 to 1706, were administered by appointees of the Justices of the Peace, but after 1711 they were invariably placed in the hands of trusts. W. T. Jackman, *The Development of Transportation in Modern England* (2 vols., Cambridge, 1916), Vol. I, pp. 61–71.

had no special interest in the function for which they were appointed and the efficiency of administration in all but a few cases suffered accordingly, sinking generally to a very low ebb. During the eighteenth century a number of harbour trusts were formed on similar principles, with power to levy port or shipping dues.[33] Certain municipal corporations in harbour communities were given like powers. In this field, however, not only could service and revenue be closely related, but the consumers were a relatively compact and unchanging group of shippers and merchants who, unlike the turnpike users, could organise for protection of their interests. Where a self-elected Commission controlled, the port consumers pressed for representation in the interests of efficiency and lowered rates; where a municipality was in control they pressed for representation with the additional object of preventing diversion of harbour revenue to other municipal purposes. Beginning in Lancaster in 1749, an elective element began to encroach upon the Commissions' constitutions, while at Dundee in 1830 it acquired a position in the newly constituted Harbour Trust rivalling that of the municipally appointed element.[34] The transfer of the great port of Liverpool from municipal to port trust ownership in 1858 was the signal for a wholesale movement in that direction during the remainder of the century, culminating in the establishment of the Port of London Authority in 1909 in place of the Parliamentary Dock Companies and a miscellany of other authorities along the Thames. It was the solidarity of merchant and shipowning interests, therefore, with their direct concern for adequate and efficient port facilities, which led to the preservation of *ad hoc* bodies in this field when the remainder of the early special statutory authorities were absorbed into reformed and democratically elected local authorities.

The early history of the Port of London and the operation of the P.L.A. as an example of the representative public corporation are treated at length in the following chapter. The formation of the Mersey Docks and Harbour Board [35] illustrates the more

[33] Webb, *op. cit.*, p. 241.

[34] Dundee Harbour Act, 1830, 11 Geo. IV & 1 Wm. IV, Ch. cxix, S. 5. Cf. J. H. Thompson and G. G. Ritchie, *Dundee Harbour Trust Centenary, 1830–1930* (Dundee, 1930).

[35] J. A. Picton, *Memorials of Liverpool* (2nd ed., 2 vols., Liverpool, 1903), Vol. I, pp. 554–85.

common course of events: substitution of this type of autonomous organisation for control by the municipal corporation. Liverpool had constructed her own docks since their inception in 1715, and was only gradually induced during the first half of the nineteenth century to grant to their users some voice in the management. Keen competition from the rival enterprise at Birkenhead led to excessive capital outlay, and to continual Parliamentary bickering between the respective promoters, each undertaking seeking to limit the borrowing powers of the other. This conflict was not calculated to advance the best interests of the port. Merchants and shipowners were further incensed by Liverpool's " town dues," levied upon Birkenhead and Runcorn trade as well as that of Liverpool, which were not exclusively applied to harbour purposes. In their eyes, only an administrative body covering the whole area and utilising its revenue with the single purpose of maintaining and expanding port facilities could render satisfactory service. This viewpoint was supported by a Select Committee of the House of Commons in 1856, and in the following year a measure was enacted establishing a new and independent board to manage the affairs of the entire port.

The Mersey Docks and Harbour Act, 1857, as subsequently modified,[36] provided for a non-profit-making public corporation of twenty-eight members, of whom twenty-four were elected for four-year terms, six retiring each year, by payers of dock rates, who also selected audit commissioners to check the financial administration. Four were chosen by the Conservancy Commissioners of the River Mersey, three Ministers acting *ex officio*, but are now named by the Minister of Transport. In practice the entire complement of the Board has always been made up of Liverpool and Birkenhead shipowners and merchants. Control is thus completely divorced from the corporation. The docks have been consolidated under the Board's ownership, and it is in addition entrusted with conservancy of the lower river, control of pilotage, and lighting and buoying the harbour. Capital is borrowed from the general public through bonds, annuities, and debenture stocks, all bearing a fixed return and carrying no equity or voting rights. Government supervision is limited to approval of new works through Private Bill procedure, fixing maximum charges,

[36] Cf. Note 26, *supra*.

appointment of a special auditor by the Minister of Transport, and annual publication of accounts. Members of the Board are unpaid, and have come from the leaders of local enterprise. "The vigour, energy, and prudence", writes the historian of the dock estate, "with which the vast and complicated affairs under their control are managed, place the Mersey Docks and Harbour Board in the first rank of administrators in the country." [37] The notable success of the port trust in Liverpool so impressed interested parties in London that when reconstitution of the metropolitan port's administration was being considered at the beginning of the present century a similar body was advocated on behalf of the three leading interests, local government, mercantile, and shipowning.[38] Its example was probably the most powerful single influence in determining the form finally adopted for the London authority.

It will appear from the succeeding chapter that the successful constitution of a representative public trust requires certain peculiar conditions precedent which are of very infrequent occurrence, namely the existence of geographically compact and well-organised bodies of direct consumers whose principal common interest is in accord with the most desirable general policy for the undertaking. Aside from the field of port administration, where these conditions are in large measure fulfilled, the public corporation in this form has not found any substantial scope of application. The closest approach to it may be seen in the four Joint Electricity Authorities established from 1923 to 1929 to co-ordinate, and in some cases partially to manage, the generation, transmission, and distribution of electricity in limited areas. In constitution they represent authorised undertakers, both local authority and company, and local authorities not themselves undertakers, with a sprinkling of labour, railway, and large consumers' members.[39] It is difficult, however, to visualise more than a brief

[37] Picton, *op. cit.*., Vol. I, p. 585.

[38] *Report of the Royal Commission on the Port of London*, Cd. 1151 of 1902, Par. 221; *Minutes of Evidence*, Cd. 1152 of 1902, QQ. 1252, 2165, 2265, 2291, 2292, 7120–7204, 7295, 7440, and pp. 590, 610.

[39] The Annual Reports of these bodies are published in full or in abstract as appendices to the *Annual Reports of the Electricity Commissioners* (non-Parliamentary publications of His Majesty's Stationery Office). The North Wales and South Cheshire Joint Electricity Authority (1923) has delegated its executive powers to the North Wales Power Company, and cannot be considered a com-

future for these bodies in their present form. Co-ordination of generation and main transmission has been largely taken over by the nation-wide Central Electricity Board, while existing methods of distribution are currently in flux, pending action on the recent report of the McGowan Committee.[40] Evidence before this body suggests that more permanent arrangements will demand smaller, non-elective boards for their administration.[41]

The Metropolitan Water Board, again, embodies certain of the characteristics of the representative public corporation. It is a body of sixty-six members, appointed by local authorities of all varieties and the two river conservancy boards in the metropolitan area, established in 1903 to acquire from the eight Metropolitan Water Companies, and thenceforth to manage, the entire supply system of the Metropolis.[42] A board of this size is designed to give full weight to "the idea of public representation and public responsibility"[43] rather than to commercial efficiency, and owes its existence solely to the absence of any single local authority with jurisdiction over the entire area.[44] Its primary object is to provide water pure in quality and adequate in quantity; financial equilibrium is only a secondary consideration. Maximum rates are set by statute,[45] and the Board is empowered to requisition from its constituent authorities contributions sufficient to extinguish any deficit on revenue account, a power frequently used in the course of the Board's history. General supervisory powers, especially in regard to finance, inhere in the Ministry of Health. The Board

mercial body. For the constitution of the London and Home Counties Authority (1925), cf. *Electricity Commissioners, 6th Annual Report, 1925–26*, pp. 105–106. For the West Midlands Authority (1925), *Ibid.*, p. 118. For the North-West Midlands Authority (1929), *Electricity Commissioners, 9th Annual Report, 1928–29*, Pars. 232–41.

[40] Ministry of Transport, *Report of the Committee on Electricity Distribution*, May, 1936.

[41] *Ibid.*, Par. 278.

[42] Metropolis Water Act, 1902, 2 Edw. VII, Ch. 41.

[43] Ministry of Health, *Report of the Departmental Committee appointed to Inquire into the Provisions and Effect of the Metropolis Water Act, 1902*, Cmd. 845 of 1920, Par. 13. The Llandaff Commission of 1899 had recommended a board of not more than thirty (Cd. 25 of 1899, Par. 147), but this number was increased in order to provide places for Metropolitan Borough Councils established under the London Government Act, 1899, 62 & 63 Vict., Ch. 14.

[44] *Report of the Royal [Ullswater] Commission on London Government*, Cmd. 1830 of 1923, Par. 40.

[45] Metropolitan Water Board (Charges) Act, 1921, 11 & 12 Geo. V, Ch. xciv.

can hardly be viewed as typifying administrative machinery of general interest or widespread applicability, for, in the words of the Ullswater Commission on London Government, "water supply in and around London is a service managed on principles which are now well defined and do not raise many contentious issues." [46] Similar considerations apply to the various *ad hoc* river conservancy boards. These bodies, therefore, are excluded from detailed consideration in the present work.

In other spheres of enterprise, the size of the proper area of jurisdiction or lack of organisation among direct consumers of the service precludes any adaptation whatever of the public corporation in its representatve form. When in the post-war era Governments found it desirable to increase the scope of public enterprise, they were faced with the problem of devising a constitution combining public responsibility with the administrative and financial autonomy of the harbour trust. A solution was found in the small non-representative board appointed for fixed terms from above, either by Ministers of the Crown or, in the case of London Transport, by a curious special body of Appointing Trustees. To the members thus selected was left the organisation of permanent executive structures and management of the undertakings' finances and general policy.

The first approach to the national public corporation in this more modern form was the Forestry Commission, established in 1919.[47] Severe wartime drains upon the limited timber reserves of the nation had led to the appointment in 1916 of a committee under Mr. F. D. (now Sir Francis) Acland, "to consider and report upon the best means of conserving and developing the woodland and forestry resources of the United Kingdom, having regard to the experience gained during the war." [48] Exhaustive

[46] Cmd. 1830, Par. 222.

[47] In its constitutional form and in a few of its functions the Forestry Commission was foreshadowed by the Development Commissioners established under the Development and Road Improvement Funds Acts, 1909 and 1910, 9 Edw. VII, Ch. 47, and 10 Edw. VII & 1 Geo. V., Ch. 7. This body of eight members appointed by Royal Warrant, however, was purely advisory, guiding the Treasury in making advances by loan or grant out of a Development Fund. It had no executive powers whatever. (*Development Commissioners, 1st Report, 1910–11*, p. 6.) In regard to forestry, it was merely specially empowered to recommend advances for forest education, research, and afforestation by other authorities. (Act of 1909, S. 1(1)(b)).

[48] *Final Report of the Forestry Sub-committee of the Reconstruction Committee of the Ministry of Reconstruction*, Cd. 8881 of 1918, p. 2.

inquiry produced recommendations for a positive State forestry policy. Since conifers mature in periods of sixty to one hundred years and broad-leaved trees in 120 to 150 years, this service requires very long-range planning. The Acland Committee therefore laid great stress on the need for independence and continuity of policy in the administrative authority.

> If there were a power to pull up the Authority by the roots to see how it was getting on [they said], the results might be almost as serious as if a similar process were performed upon the trees that it had planted. The Authority, like the trees, must have a chance of striking deep root, and must therefore be able to plan its work for some years ahead with the certainty that it will have funds to carry it out.[49]

Under the Forestry Acts of 1919 and 1927,[50] the Commission is composed of eight to ten members, appointed for five-year terms by the Crown. In practice nominations are made by the Prime Minister in consultation with the Board of Agriculture and Fisheries and the Board of Agriculture for Scotland. Three salaried members serve on a full-time basis. Like the Ecclesiastical and Charity Commissioners, but unlike subsequently established public corporations, the Forestry Commissioners are represented in Parliament by one of their own number, who replies to questions and defends the Commission's Votes.[51] They are "charged with the general duty of promoting the interests of forestry, development of afforestation, and production and supply of timber, in the United Kingdom," [52] and to this end are endowed with broad powers to purchase and plant land, to deal in timber, to assist private forestry by grant and otherwise, to establish or aid woodland industries, to collect statistics and carry on forestry research, and to develop education in forestry. In its sixteen years the Commission has achieved noteworthy results, building up a trained forestry service *ab ovo*, planting over 250,000 acres, and making substantial contributions to forestry research and to education.[53]

[49] Cd. 8881, pp. 62–3.

[50] 9 & 10 Geo. V, Ch. 58; 17 Geo. V, Ch. 6.

[51] Act of 1919, S. 1(6); Cd. 8881, p. 63. For an example, cf. 269 H. C. Deb. 5s. 1601 (1 November 1932).

[52] Act of 1919, S. 3(1).

[53] For a survey of the first fifteen years' work, cf. the *15th Annual Report, 1933–34*, pp. 5–58.

Its forest workers' holdings have indicated the possibilities of systematic land settlement in connection with afforestation.

Despite its formal independence, the Forestry Commission appears on close analysis to resemble a sub-department of State more nearly than a commercial public corporation as treated in the present work. The Acland Committee stated unequivocally that in the event of the establishment of a unified Ministry of Agriculture for both England (and Wales) and Scotland, it would consider adequate to the purposes it had in mind " a strong department in the Ministry . . . responsible for all forestry questions in England and Wales and Scotland, and only responsible to the Minister in charge." [54] In its recommendations on audit of accounts, moreover, it likened the proposed authority to " other Government Departments." [55] The Commission was not even formally incorporated by the 1919 Act, although it could sue and be sued, and was created a body corporate by Royal Charter in the following year only when it became apparent that such a course would facilitate its dealings in land.[56] Its executive powers are all exercised " subject to any directions which may be given by the Treasury," [57] and Treasury approval is required in the appointment and remuneration of its staff.[58] Its accounts are audited by the Comptroller and Auditor General, while surplus moneys standing to the credit of the Forestry Fund are managed by the Treasury.[59] State control, therefore, is throughout more extensive than with the public corporation proper.

The key to this semi-departmental status lies in the objects of the Commission and its financial methods. Its policy is primarily political, in the broad sense, rather than commercial. Strategic considerations played a leading part in its formation.[60] Appreciable returns will not accrue for decades, and the enterprise can hardly ever be strictly self-supporting. As a result, it is a spending service, looking to Parliament for the greater share of its funds,[61]

[54] Cd. 8881, p. 65.

[55] *Ibid.*, p. 96.

[56] *Forestry Commissioners, 1st Annual Report, 1919–20*, p. 55.

[57] 1919 Act, S. 3(3).

[58] *Ibid.*, SS. 2(2) and 5(2).

[59] *Ibid.*, S. 8(3) (6).

[60] See the definition of policy in *5th Annual Report, 1923–24*, p. 3.

[61] From 1919 to 1934, £6,276,800 out of £7,831,484 came out of general taxation. *15th Annual Report, 1933–34*, p. 7.

and is naturally more closely supervised by Treasury and Government audit officials than are financially autonomous corporations. In practice, moreover, despite the strong plea of the Acland Committee, there has been no assurance of steady revenue. The Chancellor of the Exchequer made it clear in 1928 that the Commission must expect to compete with other demands on the Treasury.[62] Unexpected reductions have on two occasions substantially delayed operations and dislocated the program of afforestation, until in the Commission's own words, "as measured by the Acland Committee standards, the current efforts which are being made to promote forestry are quite inadequate."[63]

This dependence upon State finance, and upon the variable policy of Governments unwilling to grant adequate resources over long periods to be extended within its discretion, conclusively demonstrates the character of the Forestry Commission as a virtual sub-department. It is difficult, in view of the Acland Report and the Commission's experience, not to believe that wise policy might better have constituted a veritable public corporation, financed with large block grants faithfully adhered to by successive Governments, but existing practice places the Commission in an administrative category quite apart from the autonomous undertakings described in the following chapters.

Nevertheless, its constitution as a small body appointed by Ministers and combining expert, commercial, and general qualifications served in part as a model for later public corporations and takes its logical place in their evolution from the port trust. In the three examples created since 1926 the autonomy of the latter is fused with the appointive constitution of the former. In the respective chapters devoted to them, the individual backgrounds of the Central Electricity Board, the British Broadcasting Corporation, and the London Passenger Transport Board will be considered at length.

In the analysis which follows, public administration is the focus of discussion. The desirability of public enterprise is treated only through the eyes of the legislators establishing the undertakings, as a necessary element in understanding the immediate causes

[62] *10th Annual Report, 1928–29*, p. 28.

[63] *15th Annual Report, 1933–34*, p. 8. Cf. also *5th Annual Report, 1923–24*, p. 4; *10th Annual Report, 1928–29*, p. 5.

of their formation and the historical influences which have moulded them. It is the primary object of this work to examine to what degree and with what qualifications this form of organisation, the British public corporation, is a satisfactory technique for administration of public enterprise in the public interest.

II

THE PORT OF LONDON AUTHORITY

1. *Prior History of the Port*

THE Port of London Authority is a relatively youthful administrative agency created only a quarter of a century ago to govern one of the most ancient economic enterprises in Great Britain. The historian of the Port, Sir Joseph Broodbank, tells us of evidences of its existence before the Roman invasion,[1] and it is a subject of continuous record for at least a millennium. In the geographical character of the Thames estuary, the good navigable channel penetrating fifty miles inland from the sea, an easy and inexpensive means of locomotion with the tide, comparative freedom from flood and ice, and security from storm, lie the natural foundations of the greatness of London river as a shipping centre, of the greatness, indeed, of London itself.[2] The growth and prosperity of the metropolis and of its port have been inextricably intertwined, the one aiding the other in a virtuous circle of mutual development. Its function as the chief link in a transportation system supplying the needs of fifteen million inhabitants of the Thames valley is in no small degree responsible for London's leading position to-day among the ports of the world.

In its early history, the development of Thames-side facilities presents a marked contrast to that on the Mersey. While here too the river conservancy was from time immemorial in the hands of the City Corporation, the limited member of "legal quays" and "sufferance wharves," with a monopoly on the landing of goods dating from the Tudor period, was owned by private entrepreneurs. When the need for enclosed docks became evident, private enterprise similarly undertook the new works. Under a series of local Acts beginning in 1799 Parliament granted twenty-one year monopolies over various sections of London trade to the West India, London, and East India Dock Companies, with statutory restrictions as to maximum charges and dividends. To

[1] Sir J. G. Broodbank, *History of the Port of London* (2 vols., London, 1921). Vol. I, Chap. I.

[2] *Report of the Royal Commission on the Port of London,* (Revelstoke Commission) Cd. 1151 of 1902, Par. 1.

secure the "benefits" of free competition upon expiry of this period, however, the House of Commons refused renewal of the monopolies, and from 1825 onward a number of new companies entered the field. The remainder of the century witnessed successive periods of severe cut-throat competition as each dock was opened, followed by fusions into increasingly large corporate units. After 1864 the chief developments in the port were by-products of a struggle between the East and West India Dock Company on the one hand and the London and St. Katharine Company on the other, with the Millwall Dock affording a degree of annoyance to both. Only the Surrey Commercial Company, with its group of docks on the south shore, remained relatively aloof, concentrating on special facilities for the grain and timber trades. For two decades competition brought rapid expansion, in the construction of the South West India, Royal Albert, and Tilbury Docks, but in its train came rate wars, general financial debility, and eventual bankruptcy for the India Company. A scheme for joint working was finally negotiated in 1888, consummated in 1901 by the formation of the London and India Docks Company. After 1885 capital development ceased entirely, although the amount of shipping entering the port continued to increase by 50 per cent every twenty years.

The weakness due to internecine strife among the companies was aggravated by the competition of public wharfingers and warehousekeepers with tidal accommodation along the riverside. In compensation for the original dock monopolies, the early legislation always included a "free water clause,"[3] exempting from dock charges on either vessel or goods lighters entering to load or discharge ships oversides. Repeal of these clauses failed to follow upon repeal of the monopolies; as a result there developed an immense trade utilising the docks as shelter for large steamships but removing their cargoes in lighters to wharves and warehouses outside the jurisdiction of the dock companies. It is estimated[4] that in 1898 over 80 per cent of the goods entering the docks avoided the payment of dues in this manner.

These economic factors would themselves have been sufficient to impair the credit of the dock companies; their effect was aug-

[3] West India Dock Act, 1799, 39 Geo. III, Ch. lxix, S. 138, is an example.
[4] Broodbank, *op. cit.*, Vol. I, p. 268.

mented by serious misgivings as to the administrative capacity and reliability of their directorates. "For many years," writes Broodbank, "the directors were almost without exception chosen for the business which they could influence to the company they were asked to serve; their ability to manage a big undertaking was seldom considered." [5] Falsification of accounts and swollen dividends paid from capital consumption were discovered in the Millwall Company. Provision of new facilities by private enterprise was impossible, but shipowners and merchants were universally dissatisfied with the existing state of affairs.

In an attempt to re-establish its financial strength, the London and India Docks Joint Committee submitted in 1899 a Bill which would permit charges on lighters, and goods carried in them, when entering the docks. The proposal was not met with approval at the Board of Trade.[6] Neither the Government nor commercial interests of the metropolis felt that port development had received the desired impetus for many years past. Furthermore, widespread complaints of the inadequacy of the channel to accommodate new ships of deep draught indicated that dredging and general river conservancy had probably been neglected as well. Since 1857,[7] these latter functions had been assigned to a body of "Conservators of the River Thames," nominated by the City, Trinity House, the Admiralty, and the Board of Trade. This body was less assiduous in its dredging activities than the spirit, if not the letter, of the law demanded.[8] The lower channel and several of the dock entrances were navigable for new ships only at high tide, but the Conservancy saw no reason to take action until the companies lowered the dock sills and the companies would not act until the channel was dredged. Under these conditions, London's trade, particularly in transhipments and goods deposited *en entrepôt,* was seriously threatened by the rising ports of Antwerp, Bremen, Hamburg, and Rotterdam, which were financially aided by their municipalities or the State. In London,

[5] Broodbank, *op. cit.*, Vol. I, pp. 198–9.

[6] *Memorandum in Reference to the Port of London,* H. C. Paper 109 of 1908, p. 1.

[7] Thames Conservancy Act, 1857, 20 & 21 Vict., Ch. cxlvii. The constitution and powers were broadened by the Thames Conservancy Act, 1894, 57 & 58 Vict., Ch. clxxxvii.

[8] *Revelstoke Report,* Pars. 52–65.

the multiplicity of authorities and interests seemed unable to provide an assured future for the port. It was evident that a thorough investigation was in order.

The Government therefore opposed the London and India Bill, and issued a warrant for the appointment of a Royal Commission under the Chairmanship of Lord Egerton. Reconstituted the following year, with Lord Revelstoke in the Chair, this body undertook an exhaustive inquiry into every aspect of the subject. Its Report, issued in 1902, is a landmark in the history of the port.

The Commissioners found ample evidence to support existing criticism. They summarised the position thus: [9]

> The body of testimony as to the delays in the delivery of goods from the docks and the injury suffered in consequence by the trade of London is overwhelming. The conditions of modern trade and industry, and the increase of railway facilities in various parts of the world, have enabled enormous cargoes to be brought together and shipped for London. Mechanical invention and enterprise have provided ships equal to carrying these cargoes; and the immense growth in population and wealth of London and the country round it have afforded a market sufficient to attract and absorb them.
>
> The dock companies, however, for financial reasons which we have indicated, have not been able to adapt their receptive powers fully to the change of circumstances.

While sympathising with the companies, the Commission could not endorse the proposed modification of the free-water privileges. It was felt that wharfinger interests had developed to such an extent under the clauses' encouragement that their repeal would damage the whole trade of the port, and that it was in any case impossible to permit private companies to tax their direct rivals in trade. At the same time, the Report noted " dissatisfaction with the Port of London, for one reason or another, on the part of all concerned with it, whether shipowners or merchants." [10] Radical improvement was imperative. If the dock companies were not to effect it, some substitute was essential.

A two-fold remedy was clearly indicated: consolidation of conservancy functions and dock administration under unified control, and financial rehabilitation through a tax on all goods entering

[9] *Revelstoke Report*, Par. 209.
[10] *Ibid.*, Par. 215.

the port. Here was a situation demanding a single authority, interested solely in providing adequate accommodation. With the examples of Liverpool and other great British ports before them, the Commissioners had no hesitation in recommending the establishment of a non-profit making public corporation. In view of the record of the past fifty years the negative advantages of eliminating dock competition were obvious, while consolidation would also permit rationalisation of facilities and charges, and offer a firm foundation of financial security for future improvements. The new authority was to be composed of forty members, fourteen elected by shipowners, wharfingers, and railway companies connected with the docks, five chosen by the Governors of the Bank of England from London's mercantile community, two nominated by the London Chamber of Commerce, and the remaining nineteen appointed by Government Departments and local authorities. Of the £7,000,000 capital expenditure considered immediately necessary, it was expected that £2,500,000, allocated to dredging, would be provided by the London County Council and the City Corporation; these bodies were consequently given eight and two members respectively on the board. The magnitude of private wharfinger and warehousekeeper interests outside the dock system prevented their inclusion in the recommendations,[11] but the new authority was to take over the entire dock estate, conservancy of the tidal portion of the river, licensing of watermen and lightermen, and lighting the harbour. Terms of compensation would be fixed by arbitration or agreement, with no allowance for the compulsory nature of the purchase. With such alterations, concluded the Commission, " there is no reason to fear that the welfare of the Port of London will be permanently impaired." [12]

Several years elapsed before these proposals were enacted into law. The Balfour Government introduced in 1903 a Bill [13] incorporating the Report's major features, including not only the direct

[11] Concern expressed by the private warehousekeepers over possible unfair competition from a public authority led the Commission to propose that the Authority should later sell or lease the dock warehouses, but the suggestion was impracticable. Cf. *Revelstoke Report,* Par. 271; Broodbank, *op. cit.,* Vol. II, p. 310; and 122 Parl. Debs. 4s. 1127–33 (H. C., 6 April 1903).

[12] *Revelstoke Report,* Par. 327.

[13] Port of London Bill, H. C. Bill 144 of 1903.

municipal subsidy but a municipal guarantee of Port Stock interest as well. The second reading was supported by both parties [14] and the Bill reported favourably from a Joint Select Committee.[15] At that stage, however, proceedings stopped, and the measure was carried over to the next session, ostensibly owing to the pressure of other legislative business.[16] During the intervening period, adverse sentiment crystallised among City merchants, largely on the ground that too close an association of the then Progressive County Council with the enterprise might prove unduly favourable to labour.[17] It was therefore not taken up again in 1904, notwithstanding the vigorous protests of the Liberal Opposition.[18] A Bill submitted by the L.C.C. in 1905 would have established a municipally appointed Port Authority, but was opposed by the Government on similar grounds and failed of a second reading.[19] A stop-gap measure of that year, however, extending the financial powers of the Thames Conservancy,[20] promised temporary relief from the worst deficiencies of the river channel.

Only when the Liberal Party attained power in 1906 did more thoroughgoing reform again come within reach. A House of Commons resolution "that the condition of the Port and docks of London urgently demands attention with a view to the management thereof being forthwith placed in the hands of a public authority" [21] was followed by a promise from Mr. Lloyd George, the new President of the Board of Trade, for a Government Bill. In an attempt to avoid repetition of the unhappy experience with arbitration proceedings under the Metropolis Water Act of 1902, which had seriously over-compensated the private undertakings,[22]

[14] 122 Parl. Debs. 4s. 616 (H. C., 13 May 1903).

[15] H. C. Paper 288 of 1903.

[16] 127 Parl. Debs. 4s. 686–7 (H. C., 10 August 1903).

[17] Cf. 137 Parl. Debs. 4s. 1222 (H. C., 11 July 1904); 139 Parl. Debs. 4s. 568 (H. C., 2 August 1904); 154 Parl. Debs. 4s. 1365 (H. C., 28 March 1906); Broodbank, *op. cit.*, Vol. II, p. 325.

[18] 139 Parl. Debs. 4s. 559–80 (H. C., 2 August 1904); *Ibid.*, 1406 (H. C., 8 August 1904).

[19] 145 Parl. Debs. 4s. 153–84 (H. C., 13 April 1905).

[20] Thames Conservancy Act, 1905, 5 Edw. VII, Ch. cxcviii.

[21] 154 Parl. Debs. 4s. 1362–88 (H. C., 28 March 1906).

[22] Official support for this viewpoint is afforded by a remark of the Ministry of Health's Departmental *Committee to Inquire into the Provisions and Effects of the Metropolis Water Act 1902*, Cmd. 845 of 1920, Par. 6.

he negotiated with the dock companies for an agreed purchase price, which was incorporated in the Port of London Bill, 1908.[23] This measure varied in several essential aspects from both the Revelstoke Report and the Bill of 1903. A Municipal Reform (Conservative) majority had displaced the Progressives in County Hall, and neither funds for dredging nor guarantee of stock interests were now forthcoming. The Council refused any association with the reform beyond that of nominating members to the Authority.[24] The membership of the governing board was to be reduced to twenty-five, of whom fourteen would be elected and eleven appointed. Its powers were in accord with the Revelstoke proposals, including administration of the lower river conservancy and the docks, and licensing of lightermen, but not lighting and buoying. It would be permitted to impose charges on all goods entering the port and a small fee on barges, but the free water clause remained.

So successful had the Government been in its initial arrangements that the Bill was accepted as a fair compromise by almost all the interests concerned and received Parliamentary support not only from both official parties but also from the representatives of the City. The second reading was voted by 183 to 18.[25] Twenty-one days of public hearings before a Joint Select Committee occasioned two important changes, besides a number of minor modifications. Trading representation on the new authority was increased to eighteen members and two representatives of labour were added.[26] From the arguments before this Committee and subsequent debates in both Houses, the legislation clearly shows its character as a bundle of compromises superimposed upon a few cardinal principles. A single authority was to be established for administration of the port. It was to acquire the docks. Commercial elements were to predominate in its constitution, and profit-making was to be excluded from the enterprise as such. The working out in detail of these fundamentals, however, involved resolution of the claims of dock shareholders, wharfingers, lightermen, short-sea traders, oversea shippers, merchants of every va-

[23] H. C. Bill 192 of 1908.

[24] Resolution of the London County Council, 4 March 1908, quoted in H. C. Paper 109 of 1908, p. 4.

[25] 188 Parl. Debs. 4s. 263–340 (H. C., 6 May 1908).

[26] *Report from the Joint Select Committee,* H. C. Paper 288 of 1908.

riety, local authorities, and labour. Out of this welter was born the Port of London Act, 1908.[27] Supplemented in following years and re-enacted in the Port of London (Consolidation) Act, 1920,[28] this statute constitutes the organic charter of the Port of London Authority as it operates to-day.

2. *The New Authority — Constitution and Powers*

The Port of London Authority is by statutory definition a body corporate, composed as follows:[29]

ELECTED (18)	
By payers of dues, wharfingers, and owners of river craft	17
By wharfingers	1
APPOINTED (10)	
By the Admiralty	1
By the Ministry of Transport (before 1920 the Board of Trade)	2
By the London County Council (being members of the Council)	2
By the London County Council (not being members of the Council)	2
By the City Corporation (being a member of the Corporation)	1
By the City Corporation (not being a member of the Corporation)	1
By the Trinity House	1
TOTAL	28

The Chairman and Vice-Chairman are elected by the Authority and may come from outside; hence the total membership varies from twenty-eight to thirty. Non-British subjects and P.L.A. employees are ineligible, and members may not be concerned with or profit by any contract with the Authority other than in the ordinary course of dock or warehousing business.[30] The term of office is three years, the entire body being chosen at one time, but

[27] 8 Edw. VII, Ch. 68.

[28] 10 & 11 Geo. V, Ch. clxxiii.

[29] Act of 1908, S. 1(5)(6); Act of 1920, S. 6(4)(5). Two legal expositions of the 1908 Act are R. W. Harper, *The Port of London Act, 1908* (London, 1910), and A. M. Barlow and W. H. Leese, *The Port of London Act, 1908* (London, 1910). The present standard work on Port of London legislation, covering all the statutes to date with the exception of the Port of London Act, 1935, is H. Le-Mesurier, *The Law Relating to the Port of London Authority* (London, 1934).

[30] 1920 Act, 2nd Sch., Pt. II(1).

there is no restriction on re-appointment or re-election. Casual vacancies among the elected members are filled by co-option. The Chairman, Vice-Chairman, and Chairmen of Committees may be remunerated at the Authority's discretion, but in practice only the Chairman is salaried, receiving £5,000 per annum.[31]

It will be seen that payers of port and dock dues, *i.e.*, merchants and shipowners in roughly equal measure, elect well over half the entire board. The advantages in principle of such a composition are clear. Formation of policy and control of administration in a semi-technical enterprise of localised scope demand intimate acquaintance with the work of the undertaking and continuous criticism by interests immediately affected. A port is in essence a transport link between shippers carrying goods to and from the rest of the world, and merchants and manufacturers disposing of imports and supplying exports. Their concern as users of the port is to ensure adequate development of facilities. As payers of dues they benefit by efficient management and avoidance of uneconomic capital outlay. Specific commercial interests, on the other hand, may often conflict with the best advantage of the port as a whole. An attempt is therefore made, in Rousseau's terminology, to substitute a general will for the will of all. It was to this end that the Revelstoke Commission had suggested nomination of a majority by local authorities, the Chamber of Commerce, and the Bank of England, but the Liverpool example favoured direct election for the commercial members.

The Government felt in 1908 that it had solved the problem by introducing a general register of electors containing everyone with a substantial pecuniary interest, who would vote *en bloc*, on the theory that members so selected would be more likely to act for the general welfare than if chosen to represent particular sections of traders or shipowners.[32] This principle could hardly withstand the opposition of groups fearing complete non-representation. Merchants, paying dues on goods, demanded equal weight with shippers, whose contribution takes the form of charges on vessels. Users of the docks do not always see eye to eye with users

[31] Lord Devonport, Chairman from 1909 to 1925, served without pay, but during his régime the Chairman of the Dock and Warehouse Committee received a stipend.

[32] *Memorandum in Reference to the Port of London Bill*, H. C. Paper 109 of 1908, p. 5; J. D. Fitzgerald to the *Joint Select Committee*, H. C. Paper 288 of 1908, p. 19.

of riverside facilities. In the event, therefore, the slate of candidates has been divided into three sections, ensuring the election of eight representatives of the mercantile group, eight shipowners, and one member for the owners of London's 9,000 river craft.[33] Voting power varies, although not in direct proportion, with the amount of dues paid the Authority. [34]

Public wharfingers along the Thames, who compete with the P.L.A., are given special representation as well as a place on the general voting register. Until 1928, two members in the mercantile section had been wharfingers as well, but they are now excluded under an extra-legal, but effective, resolution of the Chamber of Commerce.[35] The statutory provision for a single wharfinger member, separately elected, was a compromise solution of the thorniest problem encountered in the whole of the negotiations of 1908. The Government could not contemplate immediate purchase of all the wharves along with the docks ; yet it was loath to leave them to compete with a public authority empowered to collect port rates on all goods, whether destined for docks or wharves.[36] This anomalous remedy was therefore applied to an anomalous situation, membership on the governing body being granted as protection, however doubtful its practical value, for the latter interest from unfair competition.[37]

In practice, there is no real general representation even within the broad categories. Merchants' nominees are ordinarily selected in advance through the London Chamber of Commerce [38] and those for vessels through the London General Shipowners' Society. Places are thereby allocated to all the most important trades and shipping lines. As a result, of the seven elections held since the P.L.A. was established,[39] three have not been contested, only eighteen candidates being nominated, and only at the first were there more than twenty-one nominees. In recent contests, more-

[33] "Method of Election of Elected Members of the P.L.A." Regulations of the Minister of Transport, *Statutory Rules and Orders*, 1930, No. 332.

[34] For the exact scale used, *vide* 1920 Act, 2nd Sch., Pt. IV(A)(B)(C).

[35] London Chamber of Commerce, *47th Annual Report of the Council, 1928*, p. 27.

[36] 188 Parl. Debs. 4s. 274 (H. C., 6 May 1908).

[37] Cf. *Joint Select Committee*, 1908, p. 19.

[38] By resolution of the Chamber, two of these places go to manufacturers and merchants with private wharves on the Thames and the other six to users of P.L.A. accommodation. Cf. Note 35, *supra*.

[39] The first election was held in 1913. That scheduled for 1916 was postponed owing to the war, and the next held in 1919.

over, less than 40 per cent of the available votes have been cast. There is evidence, also, to bear out the supposition that direct selection by these commercial associations, or appointment on their advice by a Government Department, would not materially affect the personnel of the Authority. Owing to the impossibility of forming a register of electors prior to the institution of the new régime, the first " elected members " were appointed by the Board of Trade, after consultation with various bodies representing London's trade and shipping interests. When these appointees stood for re-election in 1913, not a single one was rejected, although there were sixteen additional nominees.[40] Re-election has since then been very common, the average service of elected members amounting to just under eleven years.

It was inevitable that the commercial members should represent particular trades, no matter what the method of selection. When there are considered the multifarious ways in which P.L.A. action may affect individual merchants or shippers, in distributing facilities, fixing charges, and providing special accommodation, it becomes evident that each considerable group must insist upon a member to defend its interests from oversight or injury by the others. Strong associations long antedating the Port Authority ensured fulfillment of these demands. On the merchants' side, indeed, representatives have for several years discussed P.L.A. policy at regular intervals with officers of the Chamber of Commerce.[41] As it has worked out, conflicts are better informally resolved within the trade organisations before nomination than left to find expression after the election, among members chosen each by his own trade.

The appointed minority falls naturally into two groups, one to supplement the trading representation and the other to represent special interests of a semi-public nature. Lest the great size of London's mercantile community cause electing interests to overlook distinguished outside experts in finance, engineering, or administration who might prove of value to the Authority,[42] the City and L.C.C. each appoint a non-member of their bodies to the board, while the Minister of Transport has a single nominee

[40] *P.L.A., 4th Annual Report, 1912–13*, p. 14.

[41] London Chamber of Commerce, *50th Annual Report of the Council, 1931*, p. 30.

[42] Cf. *Joint Select Committee*, 1908, Q. 84.

without special statutory qualification. This group has in fact comprised some of the most prominent members of the P.L.A., including Lord Ritchie of Dundee, the present Chairman, from 1909 to 1925, and Sir Joseph Broodbank, chairman of the influential Dock and Warehouse Committee from 1909 to 1920.

In the other class of appointed members the Admiralty and Trinity House are represented as a matter of course. Among a number of local authorities with governmental areas bordering on the Lower Thames, however, only the City and London County Council were singled out for membership. Persistent efforts on the part of M.P.s for Kent, Essex, Surrey, Middlesex, and West Ham to obtain similar rights were parried with the objection that resulting geographical particularism would seriously impair the port's development in the best general interest.[43] The City's concern, it was said, was not geographical in the narrow sense, but rather financial, and in its character of Port Sanitary Authority it stood in a special relation to the P.L.A.[44] That of the L.C.C. was held to stand broadly for the consumers served by the port and therefore to be supra-sectional.[45] In practice these latter appointees have tended to be more or less real delegates, reporting to their constituent authorities on the P.L.A.'s work, but not receiving instructions as to their own action.

The two remaining members are chosen respectively by the Minister of Transport and the L.C.C. "after consultation with such organisations representative of labour as [they] think best qualified to advise them on the matter." [46] Labour representation was a novel conception when the P.L.A. was formed, but it was justified in the following terms by Mr. Winston Churchill, then Liberal President of the Board of Trade:

> Although I am quite ready to admit that the representation of Labour on a port authority is introduced in this Bill for the first time, I am perfectly certain it is defensible, because, although it is an interest of a particular class, that class is so large, and its interests are so interwoven that it cannot be dismissed as wholly sectional; it is a human, moral, and national interest of a large and responsible character.[47]

[43] 193 Parl. Debs. 4s. 361–2 (H. C., 11 November 1908).
[44] *Joint Select Committee*, 1908, QQ. 90–91.
[45] 193 Parl. Debs. 4s. 394 (H. C., 11 November 1908).
[46] 1920 Act, S. 6(6).
[47] 193 Parl. Debs. 4s. 395 (H. C., 11 November 1908).

Added justification was found in the special statutory requirement that the P.L.A. take steps to reduce the evils of casual employment. Recommendations for these places are invited from the various trade unions concerned, the L.C.C.'s appointee generally coming from the dockers and that of the Minister from the watermen.[48] The members have always been leaders in port labour organisation. Nevertheless, this indirect method of appointment, contrasted with the direct election of trading members, has at times been considered invidious by labour spokesmen.[49] A change to direct representation was recommended by the Shaw Court of Inquiry in 1920 [50] and not opposed, despite his notorious general antipathy to organised labour, by the late Lord Devonport.[51] A change would probably not affect the personnel, but a likely increment in good will would seem to make it desirable, in spite of possible administrative difficulties in carrying it into effect.

More controversial is the basic principle of labour representation and its proper weight on the managing board. Lord Devonport was more or less indifferent, considering the experiment "not detrimental," [52] but Sir Joseph Broodbank has described it as an utter failure. He feels that labour members devote their energies solely to improving the lot of the workpeople, with no concern for the larger issues of port administration.[53] This judgment is the product of experience on the Authority during its first decade, when disputes were common and the labour members were frequently ranged as strike leaders against the P.L.A. Chairman as leader of the employers. Since the war, labour relations have entered upon a happier phase. It is beginning to be realised that the intimate acquaintance of the labourer with the detailed physical working of the enterprise enables him to make a substantial contribution to efficiency of operation, and that his willingness to contribute may depend largely upon a sense of responsibility fos-

[48] Mr. E. Bevin to the *Royal Commission on Transport, 1929–31, Minutes of Evidence*, Vol. III, Q. 14530.

[49] *Transport Workers — Court of Inquiry (Shaw Court): Report and Minutes of Evidence*, Cmd. 936 of 1920, p. 30.

[50] *Ibid., Report*, Par. 27.

[51] *Ibid., Minutes of Evidence*, p. 336.

[52] *Ibid.*, p. 342.

[53] *Op. cit.*, Vol. II, p. 504. Also "The Appropriate Type of Authority," in 4 *Public Administration* 309, 313 (October, 1926).

tered by a share in the ultimate control.[54] Furthermore, labour members have recently tended to broaden their range of interest. Thus in 1930 the late William Devenay was made chairman of the P.L.A.'s Maintenance Committee, a position carrying with it a place on the guiding General Purposes Committee. This innovation may come to be viewed as a turning point in the status of labour representatives. Such considerations moved the Shaw Court to recommend "the admission of, or an increase in, the direct representation of labour on the governing bodies." [55] A moderate increase, to five or even six members, including a representative of the non-manual staff, might well be justified on these grounds.

An entirely distinct question of principle is raised by the single legislative attempt in the Authority's history to alter the composition of the board. On behalf of the Transport and General Workers' Union a number of Labour Members submitted in 1924 and 1925 a Bill to increase the membership to thirty-one, nine representing labour, nine elected by trading interests, nine appointed by various local authorities, and four by Government Departments and Trinity House.[56] The proposal was intended to emphasise their dissatisfaction with the existing constitution rather than to suggest an ideal and never progressed beyond the first reading. Its dangers are substantial. A plea for equal labour representation mistakes the nature of the Authority. The general question of workers' control is not within the bounds of this study, but it is clear that the interest of port labour as a whole is sectional in a deeper sense than that of London merchants and shippers as a whole. It is rather comparable to that of the creditors, who have no voice whatever in forming P.L.A. policy. In theory, at least, while it is admitted that each group of traders has sectional interests against the others, they share in common a prime and direct concern for the optimum use and development of port facilities as an efficient link in the general transport system. This is like the socially desirable interest of members of a consumers'

[54] For the opinion of an experienced port engineer on this subject, cf. F. M. Du-Plat-Taylor, *The Design, Construction and Maintenance of Docks, Wharves and Piers*, 2nd ed. (London, 1934), p. 30.

[55] *Shaw Court, Report*, Par. 27.

[56] Port of London Authority (Constitution) Bill, H. C. Bill 231 of 1924; H. C. Bill 150 of 1924–5.

co-operative. Port labour, on the other hand, has the potentially anti-social interest of any producers' monopoly, and its demand cannot be justified. Increased local authority representation is also to be deprecated. P.L.A. policy undoubtedly reacts upon housing, poor law, and other local government functions. Yet were membership opened to East and West Ham other authorities would have an irresistible claim. A board of twenty-eight is already at or beyond the optimum size for efficient administration; a Sanhedrin like the Metropolitan Water Board would be intolerable. Moreover, at a time when it is seriously being considered how far localism in one great port as against another is detrimental to national transport as a whole there is a case *a fortiori* against representation of geographical interests within a single port.

It is the broad task of the appointed membership of a port trust to exercise a leavening effect on the whole body, helping to subordinate the particular to the general interests of the elected members. It has probably had such an effect in the P.L.A. While action specifically affecting, say, a given shipping line is bound to be very carefully scrutinised by a director of that line on the Authority, minor differences have generally been sunk in the wider effort, particularly when guided by Chairmen both of whom have been appointed members. This is not to say that the Authority's constitution has been universally approved. Besides the labour criticism above outlined there has been a suggestion that the enterprise be returned to the care of an entirely commercial public utility company.[57] Increased or exclusive nomination by Government Departments are further possibilities. Such suggestions must be viewed in the light of some understanding of the functions and operations to date of the undertaking.

Thus constituted, the P.L.A. exercises a broad statutory jurisdiction over the entire tidal portion of the Thames estuary, a river distance of sixty-nine miles, excluding only the rivers Medway, Swale, and Lee, and the Grand Junction Canal.[58] Its powers may be roughly classified into three divisions. As a quasi-governmental authority it registers and licenses river craft, houseboats, and

[57] Broodbank, in 4 *Public Administration* 309, 315.

[58] 1920 Act, 1st Sch., as amended by Port of London (Various Powers) Act, 1932, 22 & 23 Geo. V, Ch. xxxviii, S. 22.

lightermen and watermen.[59] As a river conservancy it maintains and improves the channel, removes wrecks, formulates byelaws for navigation, licenses construction of works by other entrepreneurs, ensures the river's flow and purity, and undertakes surveys.[60] As a commercial enterprise, finally, it administers and improves the dock and warehousing system of the former companies, constructs new facilities, and may acquire existing facilities not already within its control.[61] To implement these grants of authority there is a host of financial provisions governing the Authority's revenue, expenditure, and borrowing, which will be considered in detail in the following section.

In all its operations the P.L.A., as a public corporation, is in principle an independent body. It remains, however, subject to ultimate potential control by Parliament, its begetter, and in many matters to more immediate control by the Board of Trade and Ministry of Transport. Grants of power to the P.L.A. are in unusually limited terms, inherited from the private legislation of the old companies. The 1920 Act contains no less than 480 sections and fourteen schedules; it is thus a body of law of exceptional complexity. The Authority is bound by a large number of specific statutory duties, in regard even to such particulars as lights, buoys, lifeboats, and tide gauges. The limits of jurisdiction and many of the duties of dockmasters and harbourmasters are set forth in detail. The Act is sprinkled with obligations to merchants and shipowners concerning the handling of their goods and vessels. Wherever P.L.A. functions impinge upon those of other bodies, whether sewage commissioners, water boards, railway companies, fisheries, or local authorities, there are careful saving provisions guarding their rights against the Authority. In the ordinary course of events, however, the most important statutory restrictions concern matters of finance, compulsory acquisition of land and other undertakings in the port, and construction of new works.

The Authority is specifically empowered to promote in Parliament Bills authorising compulsory purchase of privately owned wharves or other port facilities if unable to reach agreement with

[59] 1920 Act, SS. 318–31, 348–55; Port of London Act, 1935, 25 & 26 Geo. V, Ch. cxvi, S. 38.

[60] 1920 Act, SS. 197–314.

[61] *Ibid.*, SS. 9–12, 112–96.

existing owners.[62] The Minister alone may by order authorise new works or compulsory acquisition of land, but only after public inquiry by an impartial deputy.[63] Where the latter considers Parliamentary sanction desirable the order must be confirmed by both Houses. Alternatively, a Private Bill may be promoted directly, and this procedure has invariably been employed. Since the organic Act was passed in 1908, the Authority has brought fifteen Bills before Parliament, all of which have been passed substantially as deposited, and frequently unopposed. Ten contained financial provisions; three related to the compulsory acquisition of land; and clauses concerning new works were in six. Two were to rectify minor ambiguities or anomalies in the law. Only once has it been proposed to acquire another undertaking in the port, namely Hay's Wharf and subsidiary properties in 1932. After objections by certain traders the matter was reconsidered by the P.L.A., and in view of the general financial situation and expense involved the clause was voluntarily withdrawn.[64]

Opportunity for Parliamentary debate on the Authority is very limited. The Minister of Transport is its spokesman, but financial autonomy precludes its discussion on his vote. There has been only one brief general debate, in connection with the Consolidation Act of 1920,[65] and Members have never availed themselves of the opportunity to discuss the P.L.A., like any other subject, on the Adjournment or a Private Member's Motion. An attempt to extend Parliamentary supervision to every phase of the Authority's operations, on the ground that the Board of Trade might bring pressure to bear through its appointees, was effectively scotched by the Speaker in 1912. In refusing to entertain a motion to adjourn to consider the alleged failure of the P.L.A. to relieve traffic congestion and decasualise labour, he said:[66]

I regret that I am not able to accept the Motion of the honourable Member. The Port of London is an Authority set up by Parliament and quite independent of the Board of Trade. . . . That being so, it

[62] 1920 Act, S. 10(2).

[63] *Ibid.*, S. 11.

[64] *P.L.A., 23rd Annual Report, 1931–32*, p. 7; London Chamber of Commerce, *51st Annual Report of the Council*, 1932, p. 194; 53 *Chamber of Commerce Journal* 236 (February, 1932).

[65] 133 H. C. Deb. 5s. 2063–2103 (28 October 1920).

[66] 41 H. C. Deb. 5s. 816 (22 July 1912).

is clear that the Board of Trade have no such control as the honourable Gentleman would wish to imply. . . . It is true that the Board of Trade have certain representatives on the Port Authority, but they have no controlling power through those representatives. . . . I do not know whether they have given instructions or not, but it seems to me that even if they have given instructions they have no control, and they cannot compel the independent Authority to take a particular line.

Ministers have since expressly stated that they have no such control and that their appointees "are not delegates who act under instructions."[67] At question time they have given full replies where their own duties in relation to the Authority are concerned, or on simple matters of fact already open to the public.[68] Similarly, the House is entitled to complete information when the Government takes positive action in regard to a labour dispute or in aiding the finance of new capital.[69] The day to day conduct of the Authority's business, however, is left to its own discretion. Factual questions are answered, if at all, with the formula "I am informed by the P.L.A. that . . ."[70] Such matters have included internal executive organisation,[71] details of P.L.A. contracts,[72] and initiation, as opposed to confirmation, of byelaws.[73] Complaints are referred back to the Authority, even when alleging non-feasance of statutory obligations,[74] for the Minister has no general authority to require compliance with the law comparable with that of the Postmaster-General under the Charter of the British Broadcasting Corporation. As a result, six or seven years have passed without the slightest mention of the P.L.A. on the floor of the House.

While the legal limitations are fairly narrow, as evidenced by the frequency of amendment, neither they nor Parliamentary dis-

[67] 62 H. C. Deb. 5s. 1108–9 (13 May 1914). Cf. also 29 H. C. Deb. 5s. 1545–7 (14 August 1911).

[68] *E.g.*, 80 H. C. Deb. 5s. 1226–7 (2 March 1916).

[69] 39 H. C. Deb. 5s. 133–6 (5 June 1912); 169 H. C. Deb. 5s. 739–40 (12 February 1924); *Ibid.*, 2012 (21 February 1924).

[70] 29 H. C. Deb. 5s. 1887 (15 August 1911); 44 H. C. Deb. 5s. 1097–8 (16 December 1912).

[71] 68 H. C. Deb. 5s. 242 (16 November 1914); 70 H. C. Deb. 5s. 1730 (15 March 1915).

[72] 134 H. C. Deb. 5s. 2136–7 (18 November 1920).

[73] 50 H. C. Deb. 5s. 1042–3 (19 March 1913).

[74] 60 H. C. Deb. 5s. 548 (26 March 1914).

cussion afford machinery for continuing control. This, so far as provided, rests with the Ministry of Transport and Board of Trade. It has been noted that in the Act of 1908 the Board appears in thirty-four sections, as the Authority's "critic, judge and friend."[75] In the 1920 Act the Ministry appears in forty sections and the Board in fifteen. One or the other of these departments has revisory jurisdiction over almost all the P.L.A.'s administrative functions, hearing appeals on river craft licences and licences to construct works in the port,[76] and, after full hearing, confirming all byelaws.[77] Even in its commercial functions the Authority is limited by important powers of the Ministry.[78] Those concerning financial matters will be discussed below. In addition, new works not requiring Parliamentary sanction, and acquisition of other undertakings even by agreement, require authorisation by the Minister.[79] Most important, he may act on complaints of "unfairly oppressive" action by the P.L.A. in any aspect, including charges, of its dock or warehousing business. If satisfied that the complaint is reasonable, he

> shall call upon the Port Authority for an explanation and shall endeavour to settle amicably the differences between the complainant and the Port Authority and shall from time to time submit to Parliament such reports with regard thereto as [he] thinks fit.[80]

If no settlement is reached and if the complaint emanates from a Government Department, the Chamber of Commerce, or any representative trade association, and refers to the warehousing business of the Authority, the Minister may after a hearing "make such order as in his opinion the circumstances require." Finally, he receives an annual report of the P.L.A.'s proceedings, which

[75] Broodbank, *History*, Vol. II, p. 345.

[76] 1920 Act, SS. 244, 248, 359, 362(3). The Authority's refusal to grant, or revocation of, a licence to a waterman or lighterman is final. *Ibid.*, S. 319.

[77] *Ibid.*, S. 449.

[78] Under the Ministry of Transport Act, 1919, 9 & 10 Geo. V, Ch. 50, SS. 3 and 4, the Minister might, with the consent of the undertakings' owners, "take possession" of a statutory dock, harbour, or pier authority and give directions as to any phase of its administration other than capital finance. If he considered such action in the national interest, moreover, he might order the improvement or extension, or alteration in the method of working, of a dock or pier without the consent of the owners, subject to the decision of an arbitrator judicially appointed. These powers were temporary, and lapsed after two years.

[79] 1920 Act, SS. 10, 11.

[80] *Ibid.*, S. 195.

is published, and may require other returns and information within his discretion.[81]

These restrictions justify the generalisation that in form the P.L.A. is less independent than any other public corporation. In practice, however, they are rarely called into operation. Initiative usually rests with the Authority, and where the Minister's prior approval is required it is never extended beyond the safeguarding of other interests. Proposed byelaws have at times been modified after public hearing,[82] but the examples are exceptional. Ministerial action is ordinarily purely nominal. Under the general right of appeal a few complaints of discrimination were submitted during the early years, but no formal action was taken and no compulsion exercised on the P.L.A.[83] An ex-member of the Authority remarks of this provision that it " has worked admirably in that it has scarcely been worked at all." [84] Nevertheless, its potential use may be of considerable influence in preventing unfair treatment of traders. Indeed, in 1924, when the Chamber of Commerce threatened a Ministerial inquiry into proposed rate advances, the Authority went so far as to permit an accountant appointed by the Chamber to examine its books.[85] Even the extraordinary temporary powers granted the Ministry for two years under its organic Act of 1919 were exercised only once in the Port of London, and then on the Authority's request.[86] In general sufficient protection is afforded by the constitution of the P.L.A. and the close and continuous watchfulness of merchants' and shippers' trade organisations, which are never reluctant to make direct representations and are on excellent terms with the Authority. Of the existing powers of the Minister the P.L.A.'s General Manager has said: " I do not see that it is working unsatisfactorily at all. I have no quarrel with it." [87]

[81] *Ibid.*, S. 441.

[82] Cf. 43 H. C. Deb. 5s. 565–6 (31 October 1912); *P.L.A., 19th Annual Report, 1927–28*, pp. 8–9; *20th Annual Report, 1928–29*, p. 8.

[83] 58 H. C.. Deb. 5s. 1134 (19 February 1914); London Chamber of Commerce, *32nd Annual Report of the Council*, 1913, pp. 77–8.

[84] Broodbank, in 4 *Public Administration* 309, 314.

[85] London Chamber of Commerce, *43rd Annual Report of the Council*, 1924, p. 46.

[86] *P.L.A., 11th Annual Report, 1919–20*, p. 15.

[87] Mr. D. J. (now Sir David) Owen to the *Royal Commission on Transport*, 1929–31, *Minutes of Evidence*, Vol. III, Q. 11929.

Direct political influence over the P.L.A. is negligible. It has at times shown itself distinctly antagonistic to Governments of the day. Lord Devonport stated thus its attitude toward political interference in labour disputes: [88]

> We tell the Government to leave us to settle our disputes, and if we fail then bring whatever machinery they like into play. We are not going to have the Government running our labour affairs; we are going to resist it vehemently at all times.

He remonstrated in a similar vein against Whitehall's regulation of trade routes in certain commodities immediately after the war.[89] Again, when Sir Eric Geddes proposed in the interest of general transport co-ordination to give the Minister far-reaching regulatory powers over all port trusts, he was vigorously and successfully resisted by the P.L.A.[90] Such outside control as exists is designed merely to offset the character of the Authority as a miscellany of interests. Since it is impossible so to balance a representative governing board that everyone concerned is assured just treatment, appeal must lie to some impartial organ. A small, independently appointed board might well be trusted with more discretion, but its advantages have been judged inferior to those of experience, and of satisfaction and confidence among the trading community, derived from the existing constitution.

As in the case of any monopoly authorised to make charges for its services, the ability of the Authority to help or harm interests with which it comes in contact centres about its powers of finance. It is there that control is most stringent and there, as we shall see, that the P.L.A.'s independence is most liable to encroachment.

3. *Finance*

In its aspects both as a public authority and as a commercial enterprise the P.L.A. is financially autonomous. Its capital is raised in the open market; its working revenue is derived from charges on goods and vessels entering the port and docks; it is reasonably free in the allocation of its expenditures. In each of

[88] Shaw Court, 1920, *Minutes of Evidence*, p. 341.

[89] *Ibid.*, p. 338.

[90] Port of London Authority, *Ways and Communications Bill — Observations on the Proposals* (pamphlet; March, 1919).

these related activities, however, there is a degree of governmental control, and in each only a limited grant of statutory powers.

Funds are borrowed on short term through overdrafts, bills, and bonds, and on long term through the issue of Port Stock. Total borrowing is quantitatively limited by statute, the amount being raised from time to time as new works are authorised. At present it stands at £45,000,000,[91] of which not over £3,000,000 may be on short term, leaving a margin of some £3,000,000 over existing needs and immediate commitments. The Authority has had no difficulty in obtaining extensions by Private Bill, and has never come within £1,500,000 of the limit. The law also specifies the purposes for which moneys may be borrowed, namely: (a) purchase of other undertakings, (b) dredging and improving the river, (c) acquisition of land and construction of new works, including interest charges during the period of construction (but not more than ten years), (d) land and buildings, and (e) any other payment which in the opinion of the Minister of Transport ought to be spread over a term of years.[92]

The issue, transference, and redemption of Port Stock are governed by regulations laid down by the Minister.[93] All classes bear fixed interest and afford no voting rights to holders. The amount of issue and rate of interest are determined by the Authority, but the Minister's consent is required to the proposed period of redemption, which may not exceed ninety years (sixty years for river works). All classes created subsequent to 1909 must rank *pari passu* with "B" Stock created under the organic Act. Sinking funds, under surveillance of the Minister, must be established in respect of each issue, but may be delayed for ten years when the redemption period is ninety years. For the protection of stockholders, the regulations are required to provide that after three months' default owners of not less than £500,000 nominal value may apply for the appointment of a receiver and manager.[94] The

[91] Port of London (Various Powers) Act, 1932, 22 & 23 Geo. V, Ch. xxxviii, S. 14(1).

[92] 1920 Act, SS. 95, 105.

[93] *Port of London Stock Regulations, 1909*, S. R. & O., 1909, No. 284; *Ibid., 1911*, S. R. & O., 1911, No. 376; *Ibid., 1917*, S. R. & O., 1917, No. 87; *Ibid., 1921*, S. R. & O., 1921, No. 1700; *Ibid., 1926*, S. R. & O., 1926, No. 745; *Ibid., 1927*, S. R. & O., 1927, No. 127.

[94] 1920 Act, S. 96(4)(A).

latter, however, can only administer the port in accordance with the Port of London Acts,[95] and not specifically in the interest of holders. As a result, formal protection is slight, real protection being found in the public nature of the enterprise and in the Authority's obvious need to maintain sound credit for future borrowing. It has been pointed out in the Courts that "the obligations of the Port Authority in relation to this stock are, as nearly

Date of Issue	Class and Interest Rate	Nominal Amount	Term	Price of Issue	Purpose of Issue
		£		£	
31/3/09	3% "A"	9,279,752	1929/99	100	Acquisition of Docks
31/3/09	4% "B"	13,210,707	1929/99	100	Acquisition of Docks
31/3/10	3% "A"	100,000	1929/99	100	Substitution for Thames Conservancy "A" Stock
31/3/11	3½% Inscribed	2,000,000	1949/99	91	Liquidate temporary loans for capital expenditure
17/12/13	4% Inscribed	1,000,000	1940/60	92	For new works already begun
17/6/14	4% Inscribed	1,000,000	1940/60	96	For new works already begun
27/5/16	5½% Inscribed	500,000	1921	99	Capital Expenditure
22/3/18	5½% Inscribed	1,000,000	1923/33	99½	Liquidate temporary loans for capital expenditure
15/11/21	6% Inscribed	2,000,000	1930/40	96	Liquidate temporary loans and redeem 5½% Stock
11/12/24	4½% Inscribed	3,000,000	1940/60	98½	Liquidate temporary loans and redeem 5½% Stock
9/12/27	5% Inscribed	3,000,000	1950/70	99	Liquidate temporary loans for capital expenditure
23/5/30	5% Inscribed	2,000,000	1950/70	99½	Redeem 6% Stock
16/3/32	5% Inscribed	2,000,000	1950/70	101½	Repay Port of London Bills
11/1/34	3½% Registered	12,961,874	1965/75	100	Redeem "B" Stock

as may be, the obligations of a corporation to preference stockholders with no claims on capital and with no voting rights."[96]

The authority given the Minister is not primarily designed to check rash and uneconomic expenditure likely to be detrimental to the public or to stockholders, for this object is probably adequately secured by the constitution. It serves rather to aid the P.L.A. to float its issues at a low interest rate by increasing the apparent security of Port Stock as an investment. It is difficult in this light to understand why, despite repeated applications on

[95] Cf. *Port of London Stock Regulations, 1921*, Reg. 40

[96] *P.L.A.* v. *Commissioners of Inland Revenue*, [1922] 2 K. B. D. 599, 629; affirmed by the House of Lords, [1923] A. C. 507.

the part of the Authority,[97] the Treasury has consistently refused to make this Stock, like the senior issues of the London Transport Board, a trustee security. Such action would probably save the P.L.A. a half per cent interest. It may perhaps have been felt that similar requests from other port authorities with less stability could not easily be resisted.

Port Stock issues so far created may be conveniently summarised in tabular form, as on page 40.

It will be seen that the Authority has found very diverse conditions in the capital market, its stock yields at time of issue (except for " A " Stock, the senior security) ranging from 3½ to 6¼ per cent. Astute use of optional redemption periods to take advantage of favourable borrowing conditions has kept interest charges at a minimum. Since 1924 three conversion operations have effected an annual reduction of £95,000, or 7½ per cent. In general, Port Stock has been very well received by the public, being ranked for security among the lowest yielding non-trustee investments.[98] With all the disturbances of war, post-war inflation, and subsequent general depression, there has never been the slightest likelihood of default.

At the end of its twenty-seventh year, on 31st March 1936, the P.L.A. had spent just over £40,000,000 on capital account, roughly classified as follows:

In connection with the acquisition and transfer of undertakings, including the Dock Companies, the Millwall Dock Equipment Company, the London Grain Elevator Company, the Thames Conservancy, and the Watermen's Company		£23,256,335
New Dredging Plant		157,122
New Head Office Estate		1,371,536
Purchase of certain Crown Interests		235,736
Expenses of Creation and Issue of Port Stock (including discounts)		613,313
New Works: —		
London and St. Katharine Docks	£ 426,358	
East and West India and Millwall Docks	2,407,894	

[97] Lord Ritchie of Dundee, in *P.L.A. Monthly*, No. 30, p. 183 (April, 1928).

[98] Cf. 109 *The Economist* 582 (28 September 1929); 115 *Ibid.*, 365 (20 August 1932).

Royal Albert and Victoria and King George V Docks	6,257,738	
Surrey Commercial Docks	1,065,954	
Tilbury Docks	3,870,679	
Uptown Warehouses and Stores	58,033	
River	76,508	
Land awaiting development	419,681	
		14,582,845
TOTAL		£40,216,887

The sum paid for the old dock undertakings, about £23,000,000, was fixed on the principle of allowing to share and debenture holders an income equivalent to that averaged from 1901 to 1907.[99] Some consideration was given even for junior securities which had paid no interest or dividends for years. This method ensured the solvency of the P.L.A. during its early period; its dock and warehouse profits in the first year, before port rates on goods were introduced, amounted to £817,000, surpassing interest charges by £17,000. It was not, however, a guarantee of just price. As in the case of London Transport a quarter century later, no allowance was made for increased security and none for the improbability of maintenance of profits under the old management.[100] Under the circumstances the equivalent of twenty-six years' purchase of existing revenue was extraordinarily generous, and the Government must bear responsibility for some measure of unwarranted burden on the port's trade for ninety years. Maintainability of profits seems particularly doubtful in view of a report by the P.L.A.'s Chief Engineer shortly after the transfer, to the effect that the properties "had not been maintained in a proper state of repair, and to ensure the efficient and safe working of the undertaking a large and immediate expenditure was absolutely necessary," estimated at £736,000.[101] It must be remembered, on the other hand, that compensation by arbitration under the Lands

[99] Evidence of Mr. William (now Lord) Plender, who undertook the negotiations on behalf of the Board of Trade, to the Joint Select Committee of 1908. H. C. Paper 288 of 1908, pp. 153–85.

[100] Lord Devonport to the Coal Industry Commission, 1919, *Minutes of Evidence*, Cmd. 360 of 1919, Vol. II, QQ. 26070–4. Cf. also the comment in 68 *The Economist* 514 (6 March 1909).

[101] *P.L.A., 1st Annual Report, 1909–10*, p. 13. Sir Joseph Broodbank, in his *History*, Vol. II, p. 353, claims that since only £419,000 had been spent on such special repairs by 1914, "the case against the good faith of the dock directors

Clauses Acts would almost certainly have resulted in payments substantially more burdensome.

The nature and adequacy of various works built under the P.L.A. régime will be considered in subsequent discussion. It is worth noting here that the dock industry is characterised by heavy capital charges, averaging for the P.L.A. at about one quarter its gross revenue, and that capital outlay must precede by an unusual interval full utilisation of the resulting facilities. A new dock takes several years in construction and must anticipate trade growth over decades. For these reasons, and despite its right to charge interest to capital and postpone sinking fund payments for ten years, the Authority felt unable, in the face of the abnormally stimulated money market conditions of 1922, to finance unaided works which it none the less expected to be economic in the long run. Eager to grasp any opportunity for constructive employment, the Government arranged through its Unemployment Grants Committee to provide half interest for fifteen years on about £5,000,000, the subventions now amounting to £120,000 a year.[102] In addition, under the general derating of transport undertakings in 1929,[103] the P.L.A. saved about £150,000 annually, which in accordance with the law was passed on to its consumers in the form of reduced charges. In accepting State assistance the Authority in no way compromised its independence, for similar grants were given a large number of privately owned companies, as well as other public authorities. In effect it merely accelerated works which would otherwise have been postponed pending more favourable borrowing conditions. With the restoration of such conditions the Authority is undertaking its contemporary development programme without outside support.

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fails." An expenditure of almost £100,000 per annum is not negligible, however, and it is impossible not to suppose that Sir Joseph Broodbank, who had been Secretary to the London and India Docks Company, was not perhaps overanxious to stress the integrity of his company's directors at the expense of that of the Chief Engineer, the late Sir Frederick Palmer, the value of whose opinions on matters of dock engineering was second to none. Evidence against Sir Joseph Broodbank's view, moreover, is afforded by the upward revision of the figure in 1914 to £841,000. *P.L.A., 6th Annual Report, 1914–15*, p. 9.

[102] *P.L.A., 15th Annual Report, 1923–24*, p. 8; 169 H. C. Deb. 5s. 2012 (21 February 1924).

[103] Rating and Valuation (Apportionment) Act, 1928, 18 & 19 Geo. V, Ch. 44; Local Government Act, 1929, 19 Geo. V, Ch. 17, SS. 68, 136.

The chief sources of working revenue are port rates on all goods, dock and warehousing charges on goods handled in the docks, river tonnage dues on all vessels, discharging charges and tonnage dues on vessels entering the docks, and rents for the hire of land, fixed berths, plant, and supplies. Its distribution is indicated by the following table, for the year ending 31st March 1936:

By Port Rates on Goods	£ 765,632
By River Tonnage Dues on Vessels	226,994
By Dock Charges on Goods and Vessels	3,369,690
By Dock Discharging and Extra Charges on Vessels	344,235
By Dry Dock Charges	49,764
By Rent of Land, Berths, River Accommodation, &c., and Hire of Plant	777,217
By Railway Rates and Tolls	83,544
By Canal and River Tolls	34,082
By Registration and Licensing of Craft, Watermen, Lightermen, &c.	17,122
TOTAL	£5,668,280

The port rate on goods was a novelty in London in 1908, considered essential to establish the new Authority's credit on a sound basis and permit further borrowing for much-needed development.[104] Since it may have much the same effect as a tariff duty, unlimited discretion in this field would have given the P.L.A. tremendous power to injure the trade in specific commodities. This danger was by no means counterbalanced in merchants' minds by the representative character of the governing board; at their insistence, therefore, the Authority was limited by maxima established by Provisional Order after exhaustive hearings by the Board of Trade and confirmed by Act of Parliament.[105] In addition, the sum actually collected was not to exceed one-thousandth the value of London's aggregate foreign trade. During the severe contrac-

[104] Lord Devonport, then Parliamentary Secretary to the Board of Trade, to the Joint Select Committee of 1908. H. C. Paper 288 of 1908, QQ. 102–7.

[105] 1908 Act, S. 3. Cf. Lord St. Aldwyn's *Report* to the Board of Trade on his inquiry on the first proposed schedule, Cd. 5156 of 1910. Cf. also the Port of London (Port Rates on Goods) Provisional Order Act, 1910, 10 Edw. VII & 1 Geo. V, Ch. c.

tion of the last few years this latter restriction proved too onerous, and was repealed in 1932.[106] In exchange, a " revision clause " was enacted, giving the Minister of Transport power, on application from a trade association or the Authority, and after inquiry and report from a rates advisory committee, to revise the maxima downward or upward, but not above those scheduled to the act. The new schedule comprised the rates then in force. In effect, the Authority's discretion was limited to making voluntary reductions, in return for a larger income than would otherwise have been permitted. The alteration removed much of its power to injure individual trades.

Statutory maxima also limit other major charging powers, including river and dock tonnage dues on vessels.[107] Dock and warehousing charges on goods bear a more direct relationship to particular services rendered by the P.L.A., including sampling, examining, appraising, repairing defects, and repacking. For such special operations, as for warehousing in general, rates must naturally depend upon individual circumstances. They are within the Authority's discretion, subject to a prohibition upon discrimination and the economic limitation of competition with public wharfingers and warehousekeepers in London and with other ports. Only the universally applicable landing rate on imports, and wharfage and porterage rate on exports, are restricted by law. The schedules in effect in 1909 dated from 1864 and 1882, and varied from dock to dock; they were consolidated by the new Authority only after five years of painstaking adjustment. War and post-war inflation, enhancing the cost of both labour and materials, forced steady upward revision of rates, temporary authority being granted by the Minister of Transport and later by Parliament[108] to surpass the legal limits. In 1923 a new permanent statute was enacted, doubling the previous maxima and including a " revision clause " identical with that later adopted for port rates on goods.[109]

[106] Port of London (Various Powers) Act, 1932, S. 16.

[107] 1908 Act, SS. 7, 14.

[108] The Minister's action was an exercise of his temporary powers under the Ministry of Transport Act, 1919, on application from the P.L.A. Cf. *P.L.A., 11th Annual Report, 1919–20*, p. 15. Parliamentary sanction was later given by the Harbours, Docks and Piers (Temporary Increase of Charges) Acts, 1920 and 1922.

[109] Port of London (Dock Charges) Act, 1923, 13 & 14 Geo. V, Ch. xxxiv.

The general downward trend of rates since 1924 has left sufficient margin between actual and maximum charges to give the Authority considerable discretion in allocating the burden. It accepts in its rate-making the principle that no trade should be directly subsidised by the port, but the large proportion of joint, non-allocable costs enables it so to classify traffic as to place the weight where it may most easily be borne. Due regard is perforce had for competition from railways and other ports, British and Continental.

It will be recalled that in addition to the protection afforded by statutory limitations on charges, users of the port enjoy a general right of appeal against any action whatever of the P.L.A.[110] Only one attempt has been made to bring the Minister's controlling jurisdiction into play, on application from the London Corn Trade Association in 1924. Formal action did not go beyond discussions between the Authority and the Ministry.[111] The dispute was settled by amicable agreement after the Chamber of Commerce had been permitted to examine the Authority's accounts. Informal negotiation and the use of their direct representation on the P.L.A. board are generally preferred by shippers and merchants.

One reserve power of the Minister in respect of rates is designed to protect stockholders. For fear that the trading majority on the Authority might shortsightedly sacrifice financial stability to the transitory benefit of uneconomically low rates, he must receive at the beginning of each financial year an estimate of expected receipts and expenditures; if satisfied that a balance will not be struck, he may order any rate increased up to the statutory maximum.[112] This power, needless to state, has never been exercised, but its existence implies that lenders of capital with no voice in the Authority's control require special protection of an unusual kind. Practically, of course, the provision was intended further to strengthen the P.L.A.'s position in the money market.

The order of application of revenue is fixed by statute in the usual manner, *i.e.*, to (1) working expenditure, (2) interest on

[110] Cf. p. 36, *supra.*
[111] 171 H. C. Deb. 5s. 1950–1 (1 April 1924).
[112] 1920 Act, S. 108(2).

" A " Stock, (3) interest on other stock, (4) interest on loans raised otherwise than by stock, (5) sinking funds, and (6) a general reserve fund.[113] This latter item was limited to £1,000,000 until 1932, when the limit was doubled;[114] in 1936 it amounted to £1,050,000. Without special authorisation from the Minister it may be applied only toward deficiencies on revenue account.[115] Any remaining surplus may be devoted " to such purposes and in such manner for the benefit of the Port of London as the Port Authority may determine." Since no element of profit enters into P.L.A. finance, this can include only capital development, wage increases, or reduced charges.

In the early years, advantage was taken of relatively prosperous conditions to build up both the general reserve and a special repairs and renewals fund to make good the negligence of the old companies by restoring the plant to full physical efficiency and earning power. Up to the outbreak of the war, this work, financed out of revenue, absorbed £439,000. During the period of hostilities the programme was suspended, along with much of the ordinary annual maintenance and dredging activity, and these objects have ever since been granted an appropriation out of net revenue, in addition to the large ordinary maintenance allowance. In 1936, £150,000 were so set aside.

The annual expenditure of the authority reflects the composite influence of several forces. Growth in plant and facilities has naturally increased both capital and operating charges, but has been partially counterbalanced by economies of rationalisation. The fluctuating value of money during the war and post-war years has directly affected costs of materials and reacted indirectly on wage standards through its effect on the cost of living. Improvement in labour standards through the quarter century has signally affected the total.

Working expenditure varies from two to three times capital charges, and has shown a falling trend since the war. In its allocation the P.L.A. is entirely free. In this respect it is treated like an ordinary business undertaking, left to regulate its own disburse-

[113] *Ibid.*, S. 106.
[114] 1920 Act, S. 107; Port of London (Various Powers) Act, 1932, S. 15.
[115] 1920 Act, S. 107.

ments, to provide maintenance as it sees fit, and to pay salaries and wages on such scales as may attract the requisite degree of skill, or be agreed with labour organisations.

Broad categories of expenditure, shown at intervals of several years, are indicated in the following table:

	1923–24 *		1928–29		1935–36	
	Docks and Warehouses	River	Docks and Warehouses	River	Docks and Warehouses	River
	£	£	£	£	£	£
Superintendence	.....	.....	236,572	5,727	225,200	6,095
Maintenance and Renewal	275,771	46,643	402,226	37,389	477,242	29,201
Dredging	102,441	40,266	82,028	103,442	93,375	70,136
Operating Expenditure	2,843,083	41,313	2,711,706	76,181	2,441,753	63,992
Rates and Taxes	371,504	536	326,163	584	129,133	151
Rents, General Charges, and Miscellaneous	314,735	6,086	43,672	1,500	44,219	1,718
	3,907,534	134,844	3,802,367	224,823	3,410,922	171,293
	4,042,378		4,027,190		3,582,215	
Expense of Collection of Port Rates on Goods	28,033		40,413		35,371	
Superannuation and Pension Fund Contributions	195,300		248,613		236,482	
General Administration	250,365		235,699		228,287	
TOTAL	£4,516,076		£4,551,915		£4,082,355	

* A less detailed accounting before 1929 necessitates inclusion of Superintendence expenditure among Operating Expenses for this year. Certain of the other items are also only approximately comparable with the later years.

Economies over the last seven years amount to £470,000, or over ten per cent, an impressive figure in view of the two per cent increase in shipping entering the docks and almost eight per cent increase in the total paying river tonnage dues. After allowing for savings due to derating, to the near completion of the active dredging programme, and to a slight reduction in the basic wage level, there remains a very considerable decrease effected by a general tightening up of expenditure on maintenance and in organisation. The claim made by Sir Joseph Broodbank in 1926,

when expenses were slightly higher even than two years following, that a return of the port to a private commercial monopoly would save one tenth on working,[116] loses much of its weight in the light of these recent developments.

Following the intent of its statutes, the Authority now so trims its working results as to leave only a negligible surplus or deficit. In the abnormal period of the early '20s it made two serious miscalculations,[117] but has since learned to adjust the level of charges quite nicely to probable financial needs. Gradual rate concessions from 1925 to 1936, when a slight increase followed restoration of the pre-depression wage level, have been offset by economies in both working and capital expenditure, and by the trend to increased trade which was only slightly checked in 1931–32. In the last three fiscal years the balance has been kept well within £10,000.

Like all other public corporations the P.L.A. is required to make available to Parliament and the public annual accounts of its finances, as well as a brief general report surveying the work and results of the previous year.[118] Annual audit under the Minister's authority also provides a retrospective check over its operations. The form and detail of the accounts are prescribed by the Minister.[119] In their degree of detail, particularly in regard to capital expenditure and revenue account, these documents are in happy contrast with the corresponding reports of the Broadcasting Corporation.[120] Within the published categories, however, P.L.A. finances are private, and cannot be elicited even by question in Parliament.[121] In common with other British public corporations, but in contrast with both the Civil Service and the otherwise similar American Tennessee Valley Authority, the Authority makes no detailed statement of salaries paid its staff.

Considered in its ensemble the financial administration of the P.L.A. has been highly satisfactory. There is no evidence of indifference to the interests of the port as a whole or of their subor-

[116] 4 *Public Administration* 309, 316.

[117] *P.L.A., 12th Annual Report, 1920–21*, p. 9; *13th Annual Report, 1921–22*, p. 8; *14th Annual Report, 1922–23*, p. 11; *15th Annual Report, 1923–24*, p. 12.

[118] 1920 Act, S. 109.

[119] S. R. & O., 1929, No. 212; 1933, No. 329.

[120] This statement remains true even after the improvement in the B.B.C.'s published accounts in 1935. Cf. p. 191, *infra*.

[121] 44 H. C. Deb. 5s. 1097–8 (16 December 1912).

dination to particular advantage. Trade statistics, moreover, as will be shown below, indicate that the Authority's secure financial position is not dependent upon restrictive exploitation of such monopoly powers as it possesses.

4. *The Authority at Work — Administration*

Day-to-day operations of the P.L.A. are performed by its administrative staff of 4,500 and a force of skilled and unskilled labour numbering some 5,500, partially employed direct and partially through contractors. At the head of the administrative hierarchy stands the General Manager, a permanent paid executive who is responsible to the board for the whole of the Authority's internal working. Unlike other public corporations, however, in particular the B.B.C., the P.L.A. board follows the common practice among port trusts of exercising very close supervision over all matters of administration other than routine and concentrates in its own hands determination even of minor questions of policy.

The active work of the board is devolved upon committees, the full quota meeting only fortnightly to consider the most important matters left to it for final decision. Under the law it may not delegate the powers of raising money, of fixing or varying dues, and of making applications in respect of dues to Parliament or the Minister,[122] but even these questions are given prior consideration in committee.

The Committees are now eight in number, namely: General Purposes, Dock and Warehouse, River, Finance, Staff, Stores, Law and Parliamentary, and Maintenance. The General Purposes Committee, consisting of all Committee Chairmen with a few additional members, and meeting with the Chairman of the P.L.A. in the chair, considers matters of general policy, selection of the highest officers, and proposed schemes of development. Of the others, the Dock and Warehouse Committee is outstanding in importance, being entrusted with supervision of the Authority's entire working as a business enterprise. Even variations in dock charges are taken up here rather than in Finance Committee; the latter is in charge of broader financial policy, creation

[122] 1920 Act, 2nd Sch., Part 1(4).

of stock, and general allocation of expenditure. Outside of the Law and Parliamentary Committee, which is small and meets only *ad hoc,* ten to twelve members sit on each, including the Chairman and Vice-Chairman of the Authority *ex officio.* In allotting places full consideration is given to special qualifications or preferences of individuals. The ordinary member of the Authority is at the Head Office some three or four times during the week, but in the case of the Chairman and to a lesser degree the Vice-Chairman considerably more time is devoted to the work of the port. For Lord Devonport it was almost a full-time pursuit.

Of the work of P.L.A. members in the early years it has been said that:[123]

> the regular weekly meetings of the Authority and the constant meetings of committees and sub-committees were mostly occupied with the routine of the multitude of daily current questions. . . . The Authority has never been content to leave the superintendence of its operations to highly paid executive officials, but in every detail of business done, or works executed, and of the expenditure incurred have exercised a close and controlling supervision.

Administrative reorganisation in 1922–24 shifted from the shoulders of Committee Chairmen and members much of the weight of routine supervision. The General Manager now speaks for the Authority as frequently as the Chairman. Even with this change, however, any executive operation which involves a departure from regular working under agreed principles must be referred to the appropriate committee for approval. The allotment of a berth to an incoming vessel at the regular rate, for instance, is a matter of day-to-day routine, but a fixed berth may not be placed at the permanent disposal of a given shipping line without consideration by the Dock and Warehouse Committee. Nor would a change in the method of taking on casual labour be effected without Staff Committee authorisation, although the number of men employed on any day is merely a matter of administration. The body of P.L.A. officers, in short, is limited to executive functions in the strict sense of the term; it puts into practical operation policies which in every case are determined by the governing body itself. Such determinations are of course not made without investiga-

[123] Broodbank, *History,* Vol. I, pp. 365–6.

tion and recommendation from the Authority's officers. Each programme of repair or development has followed an exhaustive examination by the Engineering Department. Ultimate decisions of the P.L.A., however, are made not only *de jure,* as with all corporations, but also *de facto* by the board.

In the earlier period administrative responsibility bifurcated at the head into engineering functions, including new construction, maintenance, and river improvement, under a Chief Engineer, and commercial and administrative functions under a General Manager and Secretary. After the war, however, a new policy was introduced of sub-contracting dredging and maintenance work and carrying on new developments under the supervision of outside consultants with their own technical and labour force. A complete reorganisation followed, consolidating the entire administration under the newly appointed General Manager, Mr. D. J. (now Sir David) Owen, upon whom all formal responsibility is concentrated.[124] Every matter now going before a committee receives at least his nominal consideration. The present organisation is sketched on the facing page.[125]

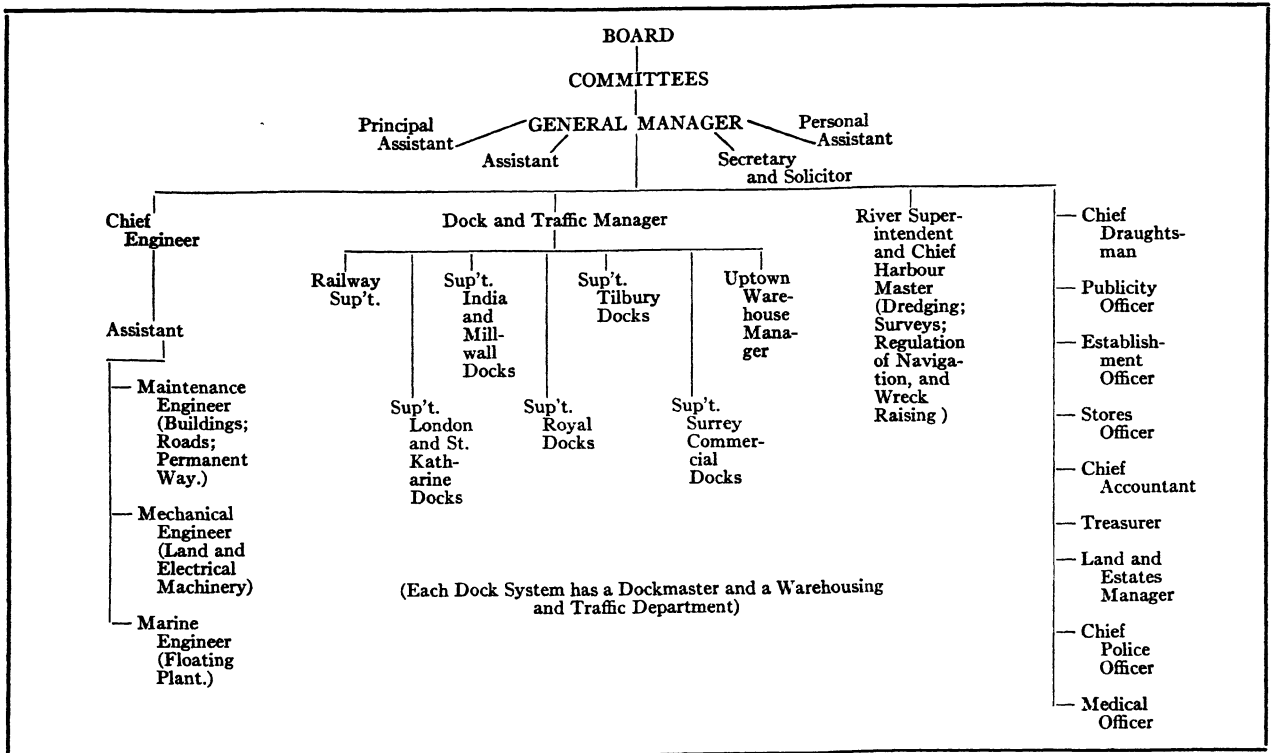
It will be noticed that with the exception of the Engineering, River, and Dock and Warehousing Divisions there is only limited co-ordination below the General Manager himself, upon whom in consequence is laid a heavy burden. One engineering critic prefers concentration of responsibility for the technical side of a port authority's functions upon a single officer with direct access to the board,[126] but this division might be a source of severe friction. Further divisional co-ordination could be secured under auxiliary managers covering fields parallel with those of the Standing Committees. For the time being, the small proportion of engineering work performed by the P.L.A. staff is thought to permit relegation of unifying activities to the Chief Executive and his immediate assistants.

The policy of sub-contracting maintenance has been gravely questioned by certain students of port administration, one of whom describes its adoption as made "from motives of economy, laudable enough, but not by any means demonstrably well-ad-

[124] *P.L.A., 14th Annual Report, 1922–23,* pp. 14–15.

[125] Adapted with modifications from B. Cunningham, *Port Administration and Operation* (London, 1925), p. 25, and Du-Plat-Taylor, *op. cit.,* p. 31.

[126] Du-Plat-Taylor, *op. cit.,* p. 31.


BOARD
COMMITTEES
Principal Assistant
GENERAL MANAGER
Assistant
Personal Assistant
Secretary and Solicitor
Chief Engineer
Assistant
Maintenance Engineer (Buildings; Roads; Permanent Way.)
Mechanical Engineer (Land and Electrical Machinery)
Marine Engineer (Floating Plant.)
Dock and Traffic Manager
Railway Sup't.
Sup't. India and Millwall Docks
Sup't. Tilbury Docks
Uptown Warehouse Manager
Sup't. London and St. Katharine Docks
Sup't. Royal Docks
Sup't. Surrey Commercial Docks
(Each Dock System has a Dockmaster and a Warehousing and Traffic Department)
River Superintendent and Chief Harbour Master (Dredging; Surveys; Regulation of Navigation, and Wreck Raising)
Chief Draughtsman
Publicity Officer
Establishment Officer
Stores Officer
Chief Accountant
Treasurer
Land and Estates Manager
Chief Police Officer
Medical Officer

vised." [127] It would appear that the immediate ground was a feeling that efficiency suffered from the more indulgent attitude toward labour required from a public authority in contrast to a contractor. By labour leaders the action is ascribed to "the prejudices of the late chairman," [128] Lord Devonport, whose régime was characterised by constant friction with the workpeople of the port. At any rate, the change reduced P.L.A. engineering staff to a minimum, an outcome, as will appear, not without its influence upon the problem of labour decasualisation.

The supervisory and administrative staff is divided into Upper and Lower Divisions. All are permanent and pensionable. The Authority employs almost no university graduates. The Upper Division is recruited from the secondary schools after an examination conducted for the Authority by the Chamber of Commerce and is paid monthly. Its members fill indoor administrative posts. The Lower Division, drawn from the elementary schools, is largely recruited from P.L.A. messengers and the sons of the permanent labourers by examination, failing which they may enter the labour force. It is paid weekly and concerned for the most part with outdoor supervision, also performing a modicum of routine clerical work. Promotion to the Upper Division is not barred but is extremely rare, since the Authority has made no provision for regularised advancement. Preservation of this sharp distinction is ground for justifiable minor criticism. Salaries are on a lower scale than in private employment, but security of tenure is far superior and the terms of service generally very long.[129]

In addition to pensions transferred from the old dock companies, the Authority adopted in 1916 [130] its own contributory pension scheme, requiring a minimum of ten years' service to qualify for benefit and fixing the age of retirement optionally at sixty and compulsory at sixty-five. About 4,500 members of the staff and labour force now contribute. The P.L.A. also administers free of charge a fund voluntarily established and maintained by the staff to provide pensions for widows and orphans of male

[127] Cunningham, *op. cit.*, p. 80. Cf. also Du-Plat-Taylor, *op. cit.*, pp. 456–7.

[128] Mr. E. Bevin to the Royal Commission on Transport, 1929–31, *Minutes of Evidence*, Vol. III, Q. 14502.

[129] Cf. H. Finer, "The Personnel of the Semi-Public Services," in W. A. Robson (editor), *The British Civil Servant* (London, 1937), pp. 139–41.

[130] *P.L.A., 7th Annual Report, 1915–16*, p. 16.

members of the Upper Division.[131] Certain special amenities have likewise been provided by the Authority, in particular a recreation ground and the initial cost of the self-supporting dining room.[132]

Before 1926, trade union organisation extended to both Divisions, which were included in the non-manual section of the Transport and General Workers' Union. In the General Strike of that year, however, almost half the Lower Division followed the manual forces in stopping work, while 95 per cent of the Upper Division remained in.[133] Consequent complications led to withdrawal from the Union of the latter body, which later joined the National Association of Local Government Officers. The Transport Union now includes two-thirds of the Lower Division.

In function, the most junior members of the supervisory staff are not easily distinguishable from the most skilled among the permanent labourers. Labour proper, however, has played so important a role in the course of the P.L.A.'s history that it warrants treatment in a separate section.

5. *Labour and the P.L.A.*

Among the three hundred employers in the Port of London, the Authority is not only pre-eminent in respect of numbers employed but is also, by virtue of its public and representative character as well as of certain special statutory requirements, the recognised leader in labour negotiations. Some 4,000 of the 34,000 registered port transport labourers find their work regularly or most frequently with the P.L.A., while several thousand men are employed in allied fields. In this connection the Authority stands midway in British practice, the Manchester Ship Canal Company at one extreme enjoying a legal monopoly over the entire labour of the port, while at the other the Mersey Docks and Harbour Board employs directly no labour whatever.[134] Almost all the dock warehousing operations are performed by the Authority's employees, together with discharge of vessels and quay handling of goods in the upper docks. Men under contract with shipowners do

[131] *P.L.A., 21st Annual Report, 1929–30*, p. 8.

[132] *14th Annual Report, 1922–23*, p. 14.

[133] *18th Annual Report, 1926–27*, p. 15.

[134] C. M. Jenkin Jones, "The Organisation of Labour Operations at Docks," in 14 *Journal of the Institute of Transport*, 294, 299 (March, 1933).

the remainder, including loading throughout the system, although the P.L.A. is always ready to supply labour anywhere on its estate.[185] On the whole these arrangements date from the era prior to the Port Authority's establishment, when under heavy pressure the London and India Docks Joint Committee relinquished the exclusive right of discharging ships within the docks,[186] and they have evoked little movement for change despite the maleficent influence of a multiplicity of employees upon labour mobility and the problem of decasualisation. If anything, by its abandonment of departmental maintenance work described in the preceding section the Authority has intensified this influence.[187]

In outline P.L.A. labour organisation remains that inherited from the London and India Company. Since 1914 there has been a permanent labour force, now numbering about 2,800, under direct contract with the General Manager. Contracts provide for weekly payment without sick pay or pension, six days' leave besides the statutory holidays, and transferability of the labourer from one dock to another, the whole agreement being terminable on either side upon seven days' notice. About forty men a year are recruited, largely from among sons of the permanent labourers. Additional casual workers, whose number varies with daily fluctuations in shipping, are divided into " B " or preference men, with numbered tickets, who look in the first instance to the Authority for their employment, and " C " men or ordinary casuals. At present some 800 to 1,000 " B " men are regularly employed, but owing to the relative decline in foreign trade, combined with increased mechanisation in the industry, " C " men can expect work with the Authority only at the busy Christmas season.

Both wages and hours of work have undergone substantial improvement during the P.L.A. régime, much credit for which must be placed with the powerful labour organisation evolved during that period.[188] The minimum time-rate of 6d. per hour in 1909 was increased to 7d. under the " Devonport Agreement " of

[185] E. C. P. Lascelles and S. S. Bullock, *Dock Labour and Decasualisation* (London, 1924), p. 10.

[186] Broodbank, *History*, Vol. II, p. 447.

[187] Memorandum of Transport and General Workers' Union to Royal Commission on Transport, 1929–31, *Minutes of Evidence*, Vol. III, Memo. 55, pp. 933ff, Par. 14.

[188] Lascelles and Bullock, *op. cit.*, p. 65.

1911,[139] and modified rapidly upwards during the general war-time inflation.[140] A demand for 2s. at the close of the war was referred to a Court of Inquiry under the recently enacted Industrial Courts Act, sitting under the Chairmanship of Lord Shaw of Dunfermline. The remarkable presentation of the case for the men by Mr. Ernest Bevin won him the special commendation of the Chairman[141] and the informal title of "Dockers' K.C." The dockers were successful on all points and the new rate came into effect in the summer of 1920. The minimum has since varied with the cost of living, falling as low as 1s.3d. in 1923, but rising by successive increments to 1s.6d. in 1936, only one alteration occurring in response to a strike.[142] At the same time the working day has been reduced from twelve to eight hours, overtime being recompensed at one and a half times the day rate. Wages and hours are no longer a source of industrial friction in the port. The present minimum represents an increase of 157 per cent over 1914, as contrasted with only a 45 per cent increase in the cost of living.[143] Moreover, the shift from time to piece-work has been so rapid that some 85 to 90 per cent of P.L.A. employment is now on the latter basis, and the piece-worker in regular employment often earns well over £5 per week. Even the fully employed time-worker is somewhat favoured by comparison with other industrial workers, notwithstanding the serious element of danger, greater only in mining.[144] The ground for these high rates is to be found in the Shaw Court's decision that the predominance of casual employment requires a level allowing subsistence upon an average employment of only four days out of the full five and one

[139] *Transport Workers — Court of Inquiry* (Shaw Court), *Appendices*, Cmd. 937 of 1919, p. 1. Cf. also the unpublished typescript minutes of the Conference.

[140] 27 *Labour Gazette* 204 (May, 1919). Shaw Court, *Appendices*, p. 3.

[141] Shaw Court, *Minutes of Evidence*, Cmd. 936 of 1919, pp. 5, 498.

[142] In 1923 a number of men went out on an unofficial strike lasting for seven weeks, but returned at the behest of their leaders. The strike of 1924 was official, following formal notice of termination of agreement, and lasted only a week. Cf. 31 *Ministry of Labour Gazette* 239, 280, 336 (July, August, September, 1923); Committee on Industry and Trade (Balfour Committee), 1924–27, *Minutes of Evidence*, Vol. II, p. 1029, Par. 137; *Report of the Ministry of Labour for the Years 1923 and 1924*, Cmd. 2481 of 1925, pp. 54–8. For details of the changes in hours and wages, cf. the *Ministry of Labour Gazette* (until 1922 the *Labour Gazette*).

[143] Ministry of Labour Cost of Living Index.

[144] 163 H. C. Deb. 5s. 2589–90 (10 May 1923).

half.[145] The under-employed labourer must depend for more or less of his living upon supplementary receipts from Unemployment Insurance. Thus the level of port wages is intimately connected with the problem of casual labour.

Trade unionism is almost universal in the port. The Transport and General Workers' Union, consolidated in 1922 from the National Transport Workers' Federation, includes 31,000 out of the 34,000 workers on the register. Its refusal to support the unofficial strike of 1923 led to secession of a number of men into the National Amalgamated Stevedores' and Dockers' Union, which contains some 2,000 London dockers. The former body, however, is the recognised channel for labour negotiations; its officers sit on joint committees; and it is chiefly responsible for nomination of the labour members of the Authority.

In the general character of its labour relations the P.L.A. has had a very chequered career. A severe and successful strike in 1911, occasioned by disputes with other employers, left much bitterness between the men and the Authority, which required as a condition of reinstatement six months' probation for those members of its permanent force who had broken their contracts.[146] The underground friction remained unresolved during the following months, and broke out again in the spring of 1912 in the most tragic strike in the history of the port. As in the preceding year, the dispute was in no way directly concerned with P.L.A. conditions, but Lord Devonport, and through him the Authority, took the lead among port employers in the struggle. Their obstinacy in refusing to undertake any negotiations prior to resumption of work, despite a number of governmental efforts to find a settlement,[147] was largely responsible for the prolongation of the strike for eleven weeks, producing the most abject misery, and in some cases starvation, in the East End.[148] It ended in complete failure for the strikers. As a condition of their return the P.L.A. not only required from its former permanent men forfeiture of a week's wages in respect of broken contracts, but placed them for the

[145] Shaw Court, *Report*, Par. 12.

[146] Board of Trade, *Report on Strikes and Lock-outs and on Conciliation and Arbitration Boards in the United Kingdom in 1911*, Cd. 6472 of 1912, p. 152.

[147] Cf. the *Clarke Report*, Cd. 6229 of 1912; 39 H. C. Deb. 5s. 134–5 (5 June 1912); 40 H. C. Deb. 5s. 849–906 (1 July 1912).

[148] Lord Askwith, *Industrial Problems and Disputes* (London, 1920), p. 228.

future among the "B" or preference casuals. The animosities generated during this dispute were of an almost incredible virulence. At meetings on Tower Hill Mr. Ben Tillett prayed that "God strike Lord Devonport dead!" and on the floor of the House a Labour Member spoke of "people being starved, and while a wretched creature like Lord Devonport is carrying on his murderous tactics to keep people starved down there and keeping the P.L.A. under his thumb."[149] It is no wonder that the bitterness which then entered the port's industrial relations has even to this day not entirely been assuaged. It flared up again in 1918, when the Minister of Munitions was forced to have the Authority proclaimed under the Munitions of War Act in order to compel its attendance at arbitration proceedings and observance of a wage award.[150] Characteristic of it is a colloquy between Lord Devonport and Mr. Bevin during the Shaw enquiry:[151]

LORD DEVONPORT: Among the trading or the capital representatives on our Authority, I think man for man I would pick three better men than your labour representatives.

MR. BEVIN: That is just an opinion.

LORD DEVONPORT: Quite an opinion.

MR. BEVIN: I am equally of opinion that I think I could pick a much better chairman than the P.L.A. has got.

LORD DEVONPORT: I doubt it.

MR. BEVIN: It is purely a matter of opinion, mind you.

THE CHAIRMAN (LORD SHAW): Mr. Bevin, the noble witness and yourself are now, I think, just about quits; we may rise for lunch.

Nevertheless, there is no doubt that the post-war era has produced a new spirit of co-operation, of which there was formerly no evidence whatever.[152] The strike of 1923, carried on against the wishes of the men's leaders, was naturally a set-back, but it evoked none of the acrimony which distinguished the dispute of 1912. The successful, official strike of the following year involved no breach of agreement and lasted only a week. For the only subse-

[149] 41 H. C. Deb. 5s. 836 (22 July 1912).

[150] 105 H. C. Deb. 5s. 1281–2 (29 April 1918); Shaw Court, *Minutes of Evidence*, p. 9.

[151] *Ibid.*, p. 342.

[152] Mr. D. J. Owen to the Royal Commission on Transport, 1929–31, *Minutes of Evidence*, Vol. III, Q. 11996. *New Survey of London Life and Labour*, Vol. II, p. 416.

quent general stoppage, in connection with the general strike of 1926, this industry had no direct responsibility. The terms of settlement contrasted favourably with those of 1912, permanent men being reinstated in their former positions. In return, the unions undertook:[153]

(a) Not in future to instruct their members to strike either nationally, sectionally, or locally for any reason without exhausting the conciliation machinery of the National Agreements.

(b) Not to support or encourage any of their members who take individual action contrary to the preceding clause (a).

(c) To instruct their members in any future dispute to refrain from any attempt to influence men in certain supervisory grades . . . to take strike action.

These terms remain in force to this day. A few brief, spasmodic strikes occur every year somewhere in the port, but the P.L.A. has since 1926 been entirely free from difficulties of this nature.

Meanwhile there is a developing trend toward positive association between the Authority and other port employers and the Transport Union. The employers' national council affords security for the observation of agreements on the one side, matching the increased influence of the union on the other. In addition, Whitley Councils have been fully developed in the industry, extending from the National Joint Industrial Council for Port Labour, through a Port of London Local Joint Committee, to five Group Joint Committees within the port of which one represents solely the P.L.A. and its employees. Effective co-operation is maintained in reducing accidents, improving specific conditions of work, and above all in connection with decasualisation of labour.

To the sociologist the distinguishing feature of dock labour is its casual character.[154] Fluctuations in shipping make complete decasualisation impossible, even as an ultimate ideal, but the evil is exaggerated by present conditions of employment. Daily employment over the port of London taken as a whole varies only about 22 per cent on either side of the average, or only 13 per cent if Saturdays and the busy season of November and December be excluded,[155] while seasonal fluctuations tend to a considerable

[153] *P.L.A., 18th Annual Report, 1926–27*, pp. 13–14.
[154] *New Survey of London Life and Labour*, Vol. II, pp. 413–16.
[155] *Ibid.*, pp. 390, 422.

degree to cancel one another out. Over the last ten years the winter-time average has rarely exceeded by more than ten per cent the average for the slack month of July.[156] The existence of three hundred employers, however, each with his own little "pool" of surplus labour, greatly magnifies the necessary minimum.[157] As a result, although the register of 34,000 workers now obtaining in London is considered to represent the necessary minimum to supply the port's needs on its busiest days, a competent authority estimates that a reduction of over 5,000 would be feasible through removal of superfluous obstacles to mobility.

In regard to its own labour the P.L.A., as the largest employer, has set an example by increasing to the maximum mobility within the dock system, excluding, of course, the separate geographical area of Tilbury, thereby permitting it to make permanent about 80 per cent of its labour force. An estimate is made each day of the number of men to be required the following morning, and handbills are posted telling the labourers where to attend. Permanent men must be given employment before "B" men, even though they are ordinarily attached to some other department. While the position of the "B" man is correspondingly uncertain, the Authority's scheme has shown the feasibility of mobilising labour over a large and geographically unfavourable area, and it is to be expected that its extension to a larger proportion of the port's employment would reduce the fringe of casuals by further balancing the needs of separate employers.

Except in the cases of the P.L.A. and a few large wharfingers, there has been no regularisation of employment in the port, the remainder of the men all being classed together as casuals, and receiving more or less regular work according to the preferences of foremen. The responsibility of the Authority, however, does not stop with its own men. Although labour matters were passed over in silence by the Royal Commission of 1902, the social conscience had been aware since the middle of the last century, and

[156] Calculated from returns in the *Ministry of Labour Gazette*. These data do not cover all the employment in the port, but give a more or less constant and large proportion, amounting to over 50 per cent, of the total. Cf. Lascelles and Bullock, *op. cit.*, p. 33.

[157] Sir H. Llewellyn Smith's Survey cites the case of a London contractor who within a single month employed on one day 1,111 men and on another only eight. *New Survey of London Life and Labour*, Vol. II, p. 423.

especially since the Booth survey, of distressing conditions in the docks. It was therefore specially provided in the Act of 1908:[158]

> The Port Authority shall take into consideration the existing methods and conditions of engagement of workmen employed in dock, riverside, and warehouse labour in connection with the Port of London, and shall, either by themselves or in co-operation with other bodies or persons, by establishing or maintaining or assisting in the establishment or maintenance of offices, waiting-rooms, and employment registers, and by the collection and communication of information and otherwise, take such steps as they think best calculated to diminish the evils of casual employment, and to promote the more convenient and regular engagement of such workmen or any class thereof.

This was followed, however, by an emasculating proviso:

> Provided that nothing in this section shall deprive any person of any legal right which he would otherwise possess with regard to the engagement of labour.

This limitation made impossible any thoroughgoing reform in the early days. Two attempts by the P.L.A. to give effect to the Act broke on the rock of shipowners' non co-operation.[159] Since the war much progress has been made, but in no case on the initiative of the Authority. The critical comment in this connection of Lascelles and Bullock, written in 1924, is of interest.[160]

> The Authority have certainly avoided any risk of coming into conflict with the restrictions imposed by the proviso. . . . Even in the collection of information which might lead to a future scheme, they have little to show, although statistical records of employment would have been of the greatest value in preparing a scheme and could have been collected without undue difficulty. It would be difficult to point to any reform, accomplished or attempted, for which the Authority could claim credit as a contribution towards the task laid upon them by this section.

In failing even to attempt the delineation of a scheme which might form the basis of supplementary legislation, the Authority seems

[158] S. 28, re-enacted in the 1920 Act, S. 440.

[159] *P.L.A., 2nd Annual Report, 1910–11*, p. 12; Broodbank, *History*, Vol. II, p. 456.

[160] *Op. cit.*, p. 9.

to have taken an inadequate view of the intention and spirit with which the casual labour clause was inserted into its Act.

The radical solution, as advocated by Sir Joseph Broodbank,[161] would be employment of the entire port's labour force by the P.L.A. Such a reform, involving *inter alia* purchase of the wharves by the Authority, goes far beyond the lengths which are practicable either at present or in the visible future. A smaller step in the same direction would be a return to the Authority's hands of all ship-discharging within the docks. Not only does the P.L.A. take no positive interest in this idea, but it is strenuously opposed by both the shipowners, who fear unfavourable consequences from a labour monopoly,[162] and many of the men themselves, who remember that in past disputes the P.L.A. was on the employers' side by no means the most amenable to their demands.

Failing this type of thorough reform, the problem has been attacked by a slower but so far reasonably successful route, namely registration. By this means available employment is restricted to registered workers who make port labour their regular calling. Gradual reduction of the register eliminates redundant numbers and brings the supply into harmony with the maximum needs of the port. Originating at Liverpool in 1912, the scheme was adopted in half a dozen ports before its introduction in London in 1920, when 61,000 names were placed on the lists. Natural wastage and careful annual revision lowered the number by 1934 to 34,000, where it is now kept by recruitment paralleling retirements.[163]

With registration exhausted as a method of reducing casual labour the problem remained fairly urgent. In 1930 almost ten per cent of the registered men received only three days work per week or less.[164] Since 1931 a national Standing Advisory Committee on Registration and Decasualisation appointed by the national Whit-

[161] *History*, Vol. II, p. 501. Lascelles and Bullock also consider that this reform would make solution of the casual labour problem a "comparatively simple matter." *Op. cit.*, p. 77.

[162] Cf. *Report of the Port Facilities Committee* appointed by the Chamber of Shipping of the United Kingdom, with Representatives of the Association of British Chambers of Commerce, and of the Federation of British Industries, 2nd ed. (London, 1924), pp. 204–5; and D. Ross-Johnson, "English Port Ownership and Control," in 13 *Journal of the Institute of Transport* 107, 114 (January, 1932).

[163] National Joint Council for Dock Labour, Standing Advisory Committee on Registration and Decasualisation, *3rd Report*, 1934, p. 20. The Reports of this Committee are not sale publications.

[164] *New Survey of London Life and Labour*, Vol. II, pp. 401, 423.

ley Council, with nine representatives of the employers and of the men and a permanent secretary appointed and paid by the Ministry of Labour, has devoted its attention to attempts to increase mobility by establishment of surplus labour stands, to which men failing to receive employment at their regular places of call must immediately report. The single central call stand favoured in certain small ports is impracticable in London owing to the size of the area. By telephonic intercommunication it is hoped to co-ordinate surpluses and shortages. Two such schemes were introduced toward the end of 1934 in the Royal Docks and the London and St. Katharine system; they have on the average effected the transfer respectively of 95 and 324 men per month. The surplus stands also serve as Port Workers' Offices, at which the men prove unemployment for purposes of insurance. Progress has been very slow, depending solely upon the persuasive efforts of the Advisory Committee, which is supplied with only limited funds and has no compulsory powers. A Private Members' Bill in 1924,[165] giving such powers to the Minister of Labour on the advice of the National Joint Council, failed to proceed to second reading. Despite a strong recommendation to the same effect by the Royal Commission on Unemployment Insurance in 1932,[166] the Ministry refused to give itself this authority in its Act of 1934. There is a serious danger that unless the improvement in mobility is accelerated, a fringe of unregistered casual labourers will become a regular feature of the port's labour supply.

Associated with the problem of registration is that of maintenance for those men unable to obtain sufficient employment. For fifteen years, representatives of the Transport Unions have insisted that the industry should be responsible for its own permanent burden of underemployment, and have proposed the payment of a guaranteed weekly minimum wage to all port workers presenting themselves for employment for the eleven half-days in the week regardless of the amount of work actually performed. The cost of this scheme would be financed by a special levy on the trade of the ports.[167] The Shaw Court recorded its approval in prin-

[165] Dock and Waterside Labour (Decasualisation) Bill, 1924, H. C. Bill 31 of 1924.

[166] *Final Report*, Cmd. 4185 of 1932, Par. 601.

[167] Shaw Court, *Minutes of Evidence*, pp. 40, 487–8; 28 *Labour Gazette* 542 (October 1920); Ministry of Labour, *Port Labour Inquiry, 1931*, pp. 65–7.

ciple of this proposal,[168] but subsequent committees have been divided in their opinions,[169] and after the Act of 1934 the ordinary Unemployment Insurance regulations are still applicable.

Application of these regulations to continuous underemployment, instead of to the alternate periods of full employment and full unemployment common in other industries, produces numerous anomalies. Some workers suffer from the payment of a full week's contribution after only a single half-day's employment. Under the operation of the three days' continuity rule, it is sometimes possible for a worker to gain more in benefit by remaining unemployed for a third day or sixth half-day than by accepting employment for such a period. Nor is the case infrequent where under the same rule[170]

two workers with the same number of days employment in a period, and the same amount of wages, received different benefit treatment. While the one was able to obtain benefit for every day of unemployment, the other was completely ineligible. The only circumstances which affected these cases was that employment had occurred on different days.

In addition, the industry's drain on the Insurance Fund has been several times its contributions, the amounts in 1929–30 being respectively £2,000,000 and £540,000.[171]

Under these circumstances, some radical solution seems imperative. It is an incontrovertible proposition that in so far as a port requires a regular surplus of labour to care for daily fluctuations in demand it should maintain it permanently out of its own resources. Where registration has been effective in reducing the number of labourers to a level approximately equal to needs, as in London and Bristol, the burden of paying the cost of underemployment would have the special advantage of forcing employers to increase the average work factor by improving mobility. Moreover, as such improvement came into effect, a higher average amount of employment might be made the basis of new wage

[168] *Report*, Par. 20.

[169] *Second Interim Report of the Dock Transport Workers (Registration and Guaranteed Week) Committee*, in 32 *Ministry of Labour Gazette* 236–7 (July 1924); *Port Labour Inquiry, 1931*, pp. 64–7, 91.

[170] *Port Labour Inquiry, 1931*, Par. 91.

[171] *Ibid.*, p. 68.

negotiations. On the other hand, it would be manifestly unfair to levy upon a port's trade the burden for a permanent surplus beyond its needs, for such unemployment does not essentially differ from other industrial unemployment. Nor could a guaranteed week scheme be introduced into ports like London and Bristol alone, owing to the discriminatory effect of a special levy on their trade in the competition with other ports. While under the Advisory Committee's auspices registration is making general progress, one large port, Glasgow, remains entirely without a register, and the administration of several others is not effective. It is unlikely that any ultimate solution of the casual labour problem in the docks will be attained without legal compulsion both for registration and for some form of maintenance, whether along the lines of the Union proposals or otherwise.

In the London developments, the Port Authority has played a co-operative part in matters of detail like the granting of land for Port Workers' Offices, but it has been the part only of one among many employers. The responsibility laid on it by the casual labour clause for the entire port's workpeople has been transferred by mutual consent to other organisations, composed to balance the representation of employers and men and far more capable of harmonising their interests than the Authority itself. The implicit hypothesis of 1908, that with its labour representation and semi-public character the P.L.A. might perform the functions now assigned to Whitley Councils, has proved entirely illusory. In contrast with the situation before 1920, the Authority now has the confidence and good will of its employees, but it is in no sense a bridge over the divergence of outlook.

Its constitution made the adoption of an employer's viewpoint inevitable, for shipowning and merchant representatives are bound to feel a keener sense of responsibility toward the welfare of their constituents than toward that of the port's labour force. It may justly be said, however, that if the Authority was in its early days deserving of criticism for its failure to devote sufficient attention to the latter, it has in more recent times taken a fair share in evolving the spirit of co-operation which now characterises labour relations in the port of London.

6. *The Authority's Record*

The general functions to be carried on by the P.L.A. were clearly outlined before its establishment. In administering the undertakings of the old Dock Companies and the Thames Conservancy no fundamental problems of policy were set before the board for decision. It has never had to initiate action in wholly uncharted fields comparable with that of the B.B.C. in controversial broadcasting and in television. It was at its inception, and remains, the greatest warehousekeeper in the world, providing services of a variety and quality unique among harbour authorities.[172] Technical developments have of course required extensions in its activities, to care, for example, for the recently established trades in chilled beef, bananas, and the like, but new calls upon the Authority's resources do not differ in any essential from the duties of dock and harbour enterprises well known for over a century. Discussion of P.L.A. accomplishments, therefore, must centre about improvements and extensions in facilities, their adequacy to an expanding trade, and the economic efficiency with which the work has been performed as reflected in the level of charges imposed. While for the old Companies the criterion of success was the annual dividend, for the non-profit making Authority it must be the volume of trade which in competition with other ports and with other means of transport it has attracted to its gates.

The very *raison d'être* of the Authority was London's relative decline compared with Continental ports and the dissatisfaction of shippers and merchants with both the river channel and the equipment for handling goods and vessels. The Act of 1908, therefore, laid upon it the specific injunction

> to take into consideration the state of the river and the accommodation and facilities afforded in the Port of London, and, subject to the provisions of this Act, to take such steps as they may consider necessary for the improvement thereof.[173]

The new body set about its task with vigour. The rate of river channel dredging set by the Thames Conservancy from 1907 to

[172] For a general survey of the work carried on by the P.L.A., cf. D. J. Owen, *The Port of London, Yesterday and To-Day* (London, 1927), Chaps. VII–XVII.

[173] S. 2(1).

1909 was immediately doubled, and rapid progress ensued until the war, when all new works were necessarily curtailed. The programme was completed in 1928, except for continuous dredging to maintain a constant depth, after the removal of 47,000,000 tons of material at a cost of over £2,000,000. In the following table the ruling depths and breadths of the channel in 1909 are set side by side with those of the present time:[174]

	Miles	1909	1928
Nore to Tilbury Dock.....	22½	25′ × 1000′	30′ × 1000′
Tilbury to Coldharbour Point...	10	18′ × 800′	30′ × 1000′
Coldharbour Point to Albert Dock	6	13′ × 500′	27′ × 600′
Albert Dock to Surrey Dock....	7	13′ × 300′	20′ × 600′
Surrey Dock to Thames Tunnel..	2	13 × 300′	16′ × 500′
Thames Tunnel to Tower Bridge.	1	13′ × 300′	14′ × 500′
Tower Bridge to London Bridge..	½	13′ × 300′	14′ × 450′

The channel will now admit to Tilbury any ship within the dimensions of the new entrance lock, which excludes only the liners *Normandie* and *Queen Mary,* save for a brief period before and after low tide.[175] Facilities for the upper reaches are comparable. Channel dimensions are no longer a cause of congestion in the river.

The Authority's chief concern was naturally with its dock and warehouse system. Since the completion of Tilbury Dock in 1886 there had been only one major extension, in connection with the Greenland Dock unit of the Surrey Commercial system,[176] although by 1909 the port's annual shipping tonnage had risen by 85 per cent. As has been shown, the financial position of the Dock Companies was inadequate even to maintain existing plant; new works had been out of the question. The P.L.A. at once resurveyed the entire situation, and received from its Chief Engineer in 1910 a comprehensive report covering "all possible improvements," classified into an urgent programme, a prospective programme, and a contingent programme, estimated to cost in all

[174] This final channel is somewhat less commodious than that recommended by the Royal Commission of 1902 (*Report,* Par. 77), but more so than that recommended by a committee of engineers of the Thames Conservancy in 1908 (*P.L.A. 1st Annual Report, 1909–10,* p. 14).

[175] The deepest draught of ships ordinarily using the port is 37 feet.

[176] Broodbank, *History,* Vol. I, pp. 221–3.

about £14,500,000.[177] Somewhat modified, the general scheme was accepted by the Authority.

The first great phase of expansion was carried through from 1911 to 1922, its completion being delayed three to four years by the war. Over £8,000,000 was expended during this period, an amount heavily swollen by post-war construction costs. Taking pride of place among the new works was the King George V Dock, sixty-four acres in extent and entered through a lock 100 by 800 feet in size. It was described in 1924 by an independent committee of shippers as "particularly well designed and excellently equipped."[178] Improvements were also undertaken at the London, East and West India, Royal Albert, and Tilbury Docks, including a very substantial addition to cold storage facilities for the growing trade in frozen meats. The Authority made at this time its sole experiment in tidal facilities, in the form of a 1,000 foot concrete cargo jetty at Tilbury.

During the closing years of the war, dislocation in normal trade put demands on the port's facilities out of all relation to ordinary requirements. Serious congestion developed in P.L.A. warehouses,[179] but the Authority was absolved of responsibility in a statement of the Ministry of Transport to the effect that the "lamentable situation in the Port of London is not the result either of inaction or of some improper action on the part of the Port of London Authority, which has made gigantic efforts to put this matter right."[180] Trade was not entirely restored to normal until 1922.

Despite the numerous improvements already effected by the Authority, London's facilities were not far ahead of requirements. In 1924 the only comprehensive independent survey of the port since that of the Revelstoke Commission was undertaken by a committee appointed by the Chamber of Shipping, the Association of Chambers of Commerce, and the Federation of British Industries. Its observations and recommendations were concentrated for the most part on the upper docks, which had thus far

[177] *P.L.A., 2nd Annual Report, 1910–11*, pp. 7–8.

[178] *Report of the Port Facilities Committee* appointed by the Chamber of Shipping of the United Kingdom, etc., 2nd ed. (London, 1924), p. 253.

[179] *P.L.A., 8th Annual Report, 1919–20*, pp. 4–5; Lord Devonport to the Shaw Court, *Minutes of Evidence*, pp. 336–9.

[180] 126 H. C. Deb. 5s. 1389 (10 March 1920).

been little touched. The report noted the need for modernisation of the India and Millwall group on the Isle of Dogs, and remarked on the severe congestion in the Surrey Commercial's timber trade, no longer ascribable to the effects of the war. Over the whole port, with the exception of the new King George V Dock, the need was indicated of modernising sheds, cranes, and other equipment, and of introducing additional floating cranes and grain elevators. "Remarkable progress has been made during that period [of sixteen years]," concluded the committee, "and the object of this report is to hasten the day when the loading and discharging facilities of the Port of London will be such as will make it from the point of view of facilities as well as volume of trade the greatest port in the world."[181]

Most of the recommendations had been anticipated by the P.L.A. Well before completion of the first improvement scheme, plans were under consideration for a second phase of development, at a cost of £5,000,000.[182] Completed in 1931, with the degree of Governmental assistance already noted,[183] it involved extension of the Tilbury Dock by fifteen acres, with a new entrance lock 110 by 1,000 feet, and a new dry dock, 110 by 750 feet, extensible to 1,000 feet. A passenger landing stage was constructed for the Tilbury traffic, accommodating over 100,000 persons annually. The West India system was given a new entrance lock, admitting vessels up to 20,000 tons, and the group was thoroughly modernised. Two additional small docks were constructed on the Surrey side for the timber trade, where congestion was eliminated by 1926. At the same time, quays, dock entrances, railway tracks, cranes, bridges, sheds, warehouses, and other plant throughout the port were overhauled. New floating cranes were provided. By 1931 both the laxness of the companies and wartime delays in respect of maintenance had been made good.

These improvements constituted a major revolution in London's physical equipment. In contrast with the universal dissatisfaction found by the Revelstoke Commission in 1902, a shipowners' representative testified in 1929 that the P.L.A. had "got all the schemes in hand that one can see," and that "the equipment is as

181 *Port Facilities Committee Report, 1924*, p. 207.

182 A. Binns, "Twenty-five Years' Engineering Developments of the Port of London Authority," *P.L.A. Monthly*, No. 102, pp. 163–70 (April, 1934).

183 Cf. p. 43, *supra*.

fine as at any port in the world." [184] Nevertheless, after a few years' lull, continued increase in trade was felt to justify a further extensive scheme. Modernisation of the Royal Albert and Victoria Docks, at an estimated cost of £1,750,000, was authorised in 1935.[185] In 1936 the Authority announced a comprehensive programme of new warehouse construction and general renovation throughout the port, to cost nearly £12,000,000 and cover a number of years in execution.[186] This third phase of the Authority's constructional activities is now under way.

On the side of physical development, therefore, the P.L.A. has shown a forward-looking attitude in marked contrast to that of the old Companies. Despite the need of anticipating expansion by at least five years, the average period between evolution of plans for new works and their completion, it has with the sole exception of the irregular war period successfully responded to calls upon its facilities. It is in possession, moreover, of considerable land for further major developments, the first of which will probably be an additional dock in the Royal system.

One dangerous latent possibility inherent in a public corporation lies in the temptation to further its prestige by constructing striking monuments to its enthusiasm which place an unwarranted burden on its consumers. The P.L.A.'s constitution affords reasonable protection against this pitfall and such a charge has never been seriously directed against it. The question remains whether the level of rates indicates efficient management on the part of the Authority. Disparities in wages and other costs forbid comparison with the Dock Companies or the Authority's own prewar record, but alongside other British ports London is shown in a favourable light. The commonly expressed opinion of shipowners that it is "the most expensive port in the world" is due rather to the method of allocating the burden between shipper and consignee than to its actual total weight. Thus in a study made in 1926 for the London General Shipowners' Society, comparing charges on nine representative commodities at the ports of London, Liverpool, Glasgow, Avonmouth, and Hull, it was found

[184] Sir Norman Hill to the Royal Commission on Transport, 1929–30, *Minutes of Evidence*, Vol. III, QQ. 12359, 12617.

[185] *P.L.A., 26th Annual Report, 1934–35*, p. 5; Port of London Act, 1935, SS. 6–30.

[186] *The Times*, 22 May 1936.

that the weighted average aggregate for London was only 8s.9d. per ton as compared with an average of 10s.9d. for the other four. Hull was second cheapest (9s.9½d.) and Avonmouth the most expensive (12s.1½d.).[187] Whereas elsewhere, however, at least 70 per cent, and on the average 75 per cent, of the aggregate charge was paid by the merchant, in London he paid only 40 per cent; as a result the shipowner when trading to London bore almost double the burden of other ports. By the general British standard, London is comparatively inexpensive in regard to the whole sum of costs added at this stage of transportation to the final price to consumers. The differences in methods of charging are no more pronounced than with other devices of classification designed to maximise trade, and may perhaps be explained by the unique importance of warehousing and of special marketing operations to the prosperity of the port of London, making it incumbent upon the Authority to fix rate schedules more attractive to merchants than to shipowners. Moreover, while the representative associations of both groups of port users have never disregarded any opportunity to obtain rate concessions or to avoid increases, it is significant that in its report for 1934–35 the London General Shipowners' Society Committee "felt compelled, on the basis of the figures and information which have been given to them by the Authority, to acquiesce in certain increases."[188]

On the other hand, London shares with other British ports a general level of charges far exceeding those in force on the Continent. The Port Facilities Committee found that the average difference in total disbursements on bulk cargoes amounted to about 67 per cent, with times of discharge also considerably longer.[189] Sir David Owen has cited a particular type of cargo where the charges per ton amounted to: London, 5s.11d.; Liverpool, 8s.1d.; and Glasgow, 7s.7d.; as against Dieppe, 1s.5d.; Rotterdam, 1s.5d.; Bremen, 2s.6d.; Amsterdam, 2s.; and Hamburg, 2s.7d.[190] Much of this differential is due to necessary differences in physical struc-

[187] The data on which these figures are based were kindly supplied by the Secretary to the Society, but for the calculation of averages and method of weighting I am alone responsible.

[188] At p. 1.

[189] *Port Facilities Committee, 1924*, pp. 279–83.

[190] Before the Royal Commission on Transport, 1929–31, *Minutes of Evidence*, Vol. III, Q. 11933.

	1909–10	1913–14	1923–24	1928–29	1932–33	1935–36
* Tonnage of vessels entering and clearing the port	38,510,989	40,080,282	41,214,928	55,423,681	53,903,886	59,762,150
Paying river tonnage dues	28,579,648	30,816,381	30,748,768	40,811,038	39,303,229	43,994,717
Using wet docks	17,436,097	18,381,126	19,195,799	25,126,051	23,615,274	25,664,025
Using dry docks	2,056,299	2,699,563	2,749,010	2,913,047	3,279,618	3,104,195
* Value of imported and exported goods (£)	322,614,363	411,792,149	579,165,445	692,730,351	409,371,649	466,724,261
* Ratios of same, corrected for price change † on basis, 1913 = 100		100.0	88.7	119 7	98.1	100.8
Import goods handled by PLA (tons)	2,050,795	2,218,266	2,293,180	2,079,516	2,001,890	2,163,239
Export goods handled by PLA (tons)	640,769	823,865	615,349	715,687	495,589	677,995
Stocks warehoused at end of period (tons)	440,531	536,990	514,000	585,637	508,824	496,432

* Refers to twelve months ending 31st December of the earlier year at the heads of the columns. Other statistics refer to twelve months ending 31st March.

† Calculated with the Board of Trade Wholesale Price Index.

ture, for small tidal ranges abroad obviate the necessity for enclosed docks.[191] Capital costs in Hamburg, Rotterdam, and Antwerp are shared by the State or municipality, and the equipment is generally more modern. A large proportion of bulk as against mixed cargoes reduces operating costs.[192] Wages are higher in Great Britain by about 60 per cent, partly owing to the higher British standard of living, but partly, as we have seen, to the prevalence of casual labour beyond the unavoidable minimum. Most important, however, are the low load factor for dock accommodation, the entire industry being organised on a single-shift basis,[193] and the general overequipment of the country's ports when viewed from a national standpoint. Fresh port capital since the war has been estimated at about £40,000,000, although the total shipping tonnage remained in 1935 slightly below that of 1913.[194] Increased size of ships would have necessitated a measure of new construction in any case, but some not inconsiderable portion of it seems imputable to competition among various British ports for a contracting trade.

This type of hindrance to national transport efficiency raises problems outside the sphere of any single local authority like the P.L.A. Within the present framework its success must be measured by its effect on London's trade during its régime. The table on the preceding page summarises the development.

As guardian of the river channel and recipient of port rates and river tonnage dues the Authority is interested in the trade of the port as a whole, which has shown continuous expansion, counterbalancing even the severe depression following 1931. As dock and warehousekeeper, however, its chief interest is in that proportion of shipping which enters the docks, which has remained throughout at about 45 per cent of the total, although falling off slightly in recent years. It has thus been the chief beneficiary of the general increase.

More enlightening is a comparison of London trends with those of other leading ports. The two following tables indicate the re-

[191] Sir David Owen, "The Problem of Port Costs," in 13 *Dock and Harbour Authority* 49–50 (December 1932).

[192] *Ibid.*, 51.

[193] T. B. Hare, "Dock Capacity," in 13 *Dock and Harbour Authority* 365 (October 1933), estimates the load factor at only 31 per cent.

[194] D. Ross-Johnson, "English Port Ownership and Control," in 13 *Journal of the Institute of Transport* 107, 109 (January 1932).

Net Register Tonnage of Ships with Cargo and in Ballast, Arriving and Departing at the Ports of:	1909	1913	1923	1928	1933	1935
United Kingdom						
Foreign	133,267,682	164,809,581	180,899,365	183,277,758	169,889,421	171,654,909
Coastwise	120,627,022	130,384,924	93,994,632	103,523,212	112,019,056	120,758,832
Total	253,894,704	295,194,505	274,893,997	286,800,970	281,908,477	292,413,741
	Percentage of U.K.	Percentage of U.K.	Percentage of U.K.	Percentage of U.K.	Percentage of U.K.	Percentage of U.K.
London						
Foreign	17 7	15 3	16.4	22.1	23.6	24.1
Coastwise	12.4	11.5	12 3	14.3	14.7	15.3
Total	15.2	13.6	15.0	19.3	20.0	22.3
Liverpool						
Foreign	15.6	14.1	13.7	14.6	15.3	15.4
Coastwise	5.9	5.9	6.2	5.8	6.1	5.6
Total	11.0	10.5	11.1	11.4	11.7	11.4
Hull						
Foreign	5.9	5.5	6.2	5.1	5.4	5.7
Coastwise	2.1	2.0	2.2	2.1	2.0	1.9
Total	4.1	4 0	4.8	4.0	4 1	4.1
Manchester						
Foreign	2.5	2.0	2.8	3.6	3.4	3.8
Coastwise	1 6	1.5	1 5	1.5	0.9	0.9
Total	2.1	1.8	2.3	2.8	2.4	2.6
Southampton						
Foreign	7.3	8.1	9.6	11.5	12.3	12.5
Coastwise	2.6	2.4	2 5	3.0	3.0	2.9
Total	5.0	5 6	7.2	8.5	8.6	8.5
Glasgow						
Foreign	5.1	4 8	4 8	4.9	4.5	5.0
Coastwise	3.6	3.4	3.7	3.2	2.2	2.3
Total	4.4	4.2	4.4	4.3	3.6	3.9

Value in Pounds Sterling of Goods Imported and Exported from and to Foreign Countries and Dominions and Colonies, at the Ports of:	1909	1913	1923	1928	1933	1935
UNITED KINGDOM						
Imports	624,704,957	768,734,739	1,096,226,214	1,195,598,413	675,016,119	756,040,537
Domestic Exports	378,180,347	525,253,595	767,257,771	723,579,089	367,909,052	425,834,428
Exports of Imports	91,344,819	109,566,731	118,543,805	120,283,244	49,080,727	55,302,619
Total	1,094,230,123	1,403,555,065	1,982,027,790	2,039,460,746	1,092,005,898	1,237,177,584
	Percentage of U.K.	Percentage of U.K.	Percentage of U.K.	Percentage of U.K.	Percentage of U.K.	Percentage of U.K.
LONDON						
Imports	32.8	33.0	35.1	39.0	42.3	42.5
Domestic Exports	18.5	18.9	16.5	21.0	25.1	26.4
Exports of Imports	51.4	53.7	57.3	62.4	56.6	59.8
Total	29.5	29.4	29.1	34.0	37.2	37.8
LIVERPOOL						
Imports	23.8	22.8	22.2	19.3	18.3	18.5
Domestic Exports	33.2	30.9	34.8	33.0	29.2	29.5
Exports of Imports	25.3	23.0	18.9	13.6	12.2	11.8
Total	27.3	26.4	26.7	23.8	21.7	22.0
HULL						
Imports	6.4	6.5	6.0	6.1	6.3	6.4
Domestic Exports	5.8	5.5	4.3	4.8	5.7	5.7
Exports of Imports	5.7	5.1	2.9	1.1	1.6	2.1
Total	6.1	6.0	5.1	5.3	5.9	6.0
MANCHESTER						
Imports	4.6	4.6	5.1	5.5	5.3	5.3
Domestic Exports	4.6	3.9	4.7	4.5	3.0	3.0
Exports of Imports	0.2	0.3	1.5	0.4	0.7	0.7
Total	4.0	4.0	4.7	4 8	4.3	4.3
SOUTHAMPTON						
Imports	3.4	3.3	3.1	3.6	3.8	3.3
Domestic Exports	3.8	3.9	4.0	5.6	5.7	5.5
Exports of Imports	6.7	6.8	7.3	10.0	12.5	9.6
Total	3.9	3.8	3.6	4.7	4.8	4.4
GLASGOW						
Imports	2.3	2.4	2.6	2.5	2.5	2.3
Domestic Exports	7.0	6.8	6.6	7.9	5.6	6.1
Exports of Imports	0.5	0.3	1.0	0.9	1.0	0.9
Total	3.8	3.9	4 0	4.3	3.5	3.8

spective percentages of United Kingdom shipping, and value of trade, at the six leading ports, with the Kingdom figures given in each case for scale.[195]

It will be seen that despite a considerable initial superiority in size, London's rate of development is beyond comparison with any other port except Southampton. The metropolis has of course enjoyed certain advantages for which the port as such is not primarily responsible. The basis of its import trade is supply of food and raw materials to a centre of population of 15,000,000 inhabitants, which has expanded steadily with the drift of industry to the South. Among its fifty-two leading imports, which constitute three quarters of the total value, no less than one half are articles of food or drink. In addition, the international wholesale markets for important commodities like wool and tea, with exchanges and financial services which accompany them, have been concentrated at London for many decades, and could be transferred elsewhere only with the greatest difficulty. How large a portion of the port's prosperity is represented by these goods is indicated by the following table, comparing quantities of the chief imports in 1913 and 1934:

Commodity	Unit	1913	1934
Tea	lb.	356,619,212	472,880,614
Butter	cwt.	1,490,087	5,158,761
Wool	lb.	485,297,308	384,662,800
Beef	cwt.	3,320,873	7,742,283
Mutton	cwt.	3,401,731	4,679,222
Bacon	cwt.	440,224	2,645,131
Wheat	cwt.	18,973,000	27,417,201
Sugar, unrefined	cwt.	9,594,865	19,513,394
Sugar, refined	cwt.	3,773,238	441,427
Wood, hewn and sawn	loads	1,592,265	3,102,809
Motor spirit	gallons	70,160,337	435,826,588
Paper	cwt.	6,037,600	10,525,128
Paper-making materials	tons	393,264	994,084
Leather	cwt.	576,693	527,144
Cheese	cwt.	1,225,065	2,154,806
Machinery	tons	31,538	34,972
Tobacco, unmanufactured	lb.	32,520,585	52,558,738
Eggs in shell	great hundreds	6,685,552	8,597,305
Wine	gallons	6,828,080	9,857,305
Apples	cwt.	947,667	2,481,745
Bananas	bunches	693,290	4,011,938

[195] Calculated from statistics in the Annual Statements of Trade and of Shipping and Navigation.

The greatest advances have been in foodstuffs and, for technical reasons, in petroleum products. Nevertheless, items like tobacco, paper and paper-making materials, wheat before milling, and unrefined sugar are in no essential manner natural monopolies of London, and efficiency of the port's management must be held to have played a part in their attraction.

A portion of the increased import trade in raw materials is related to the recent southward movement of industry, which shows itself even more clearly in the growth of domestic exports. Here again the primary causal factors are of course not to be found in relative port facilities, but the Chief Inspector of Factories in his comments on the trend has considered worthy of special mention " the facilities for export furnished by the Port of London, and excellent transport facilities for raw materials and for finished products." [196]

Taken in their ensemble London's trade statistics present practical proof that the port has been equal to calls made upon it, and offer strong evidence of successful positive stimulation of the capital's commerce and industry. In the competition with other ports the accomplishment has been remarkable. However questionable the advantages of such competition within its own borders from the nation's point of view, it is inevitably a criterion of success under the existing organisation of transport, and in its light the Authority can be assured of approval.

7. *Conclusion*

The record of the P.L.A. over twenty-seven years is indicative of both the potentialities and the limitations of a public corporation representative of its consumers. In its constitution the profit motive of shipowners and merchants has been canalised at one remove into a body with a discrete personality of its own, a body able when necessary to face its parent interests over a negotiating table and yet on the whole serving their common advantage to their satisfaction. Where the old Dock Companies showed financial debility and complete lack of adaptability to new needs, the Authority has brought financial security and continuous development of facilities to a point where in their adequacy to existing

[196] *Annual Report of the Chief Inspector of Factories and Workshops for the Year 1928*, Cmd. 3360 of 1929, p. 6.

and prospective demands they rival any period in the port's history.

A large proportion of the P.L.A.'s success must be attributed to a single element among the characteristics distinguishing it from the companies, its monopoly over the docks. Such monopoly would under any form of administration have permitted rationalisation of trade and freedom in rate-making not open to the former competitors, perhaps sufficient to restore the credit of the port in the money market. Nevertheless, Parliament was probably justified in refusing to grant a monopoly to any but a publicly constituted authority, especially when there was associated with it the power to tax the whole trade of the port, for the essence of the representative public corporation, responsible not to shareholders but to direct consumers of the services and, through local and national Governmental authorities, to the general public, is its elimination of a choice among increased facilities, reduced charges, and increased dividends, by beneficiaries of the third alternative who may have no interest whatever in the former two.

It is this fundamental consideration which vitiates the proposal of Sir Joseph Broodbank[197] for a private,[198] monopolistic, statutory company, with limited dividends and rates and other matters subject to appeal to a Government Department. If dividends were so related to charges as to be easily earned, the incentive to efficient management would be destroyed, while if earned only with difficulty, no security would be offered to users against a sacrifice of needed development or even, as experience before 1909 shows, of maintenance. This consideration is reinforced in the dock industry by the need of anticipating expansions in demand by several years, a factor not likely to be given full weight by importunate holders of shares offering a variable return. Again, supervision of rates sufficiently effective to eliminate all monopoly profit secured through restrictions on trade would leave little discretion to the titular management. A public corporation was introduced into the port of London simply because profit-making was felt to be an unsatisfactory criterion of administration for this enterprise.

In its place was substituted the direct interest of shippers and

[197] Broodbank, in 4 *Public Administration* 309, 315–7.

[198] In this work the expression "private company" is used not in its technical signification under the Companies Acts, but in reference to any joint-stock company, whether "public" or "private," owned by private shareholders.

merchants in optimum facilities at minimum cost, an incentive which has secured the services of competent businessmen and on the whole produced a highly successful régime. It must be recognised that only an unusual concomitance of circumstances has made such a constitution possible. It is dependent upon the existence of a clear, direct, common interest among the P.L.A. electorate, and upon organisation of the electors into powerful trade associations covering an area corresponding to the Authority, and affording fairly general acquaintance with leading personalities in the community. Without such associations, particularism would have free rein, and might easily lead to deadlock or to the resignation of all power into the hands of a strong Chairman or General Manager. The filtering of more individual ends within the Chamber of Commerce and Shipowners' Society, aided by the leavening of appointed members, has permitted the broadest general interest of the port to be made paramount, while keeping the administrative machine under constant supervision by members of the Authority concerned to safeguard their constituents' rights and privileges. Only because the port transport industry caters to the general public indirectly, by way of merchants and shipowners, can the public interest find such complete expression through the medium of organised private interests. Other public utility services, whether in transport, broadcasting, or the supply of electricity, water, or gas, are more directly related to the public at large, which can control them only through political organisations, local or national. The representative public trust, then, appears to be limited in applicability to a very narrow field of enterprise, restricted both in geographical area and in the nature of the industry concerned.

Even within its own field, the P.L.A. suffers from an imperfection introduced at its establishment. This defect is the continued existence of public wharfingers in competition with the Authority. For several years the Association of Public Wharfingers has agreed to follow the P.L.A. in its rate-making,[199] but competition in facilities for the same trade remains. It is impossible to achieve maximum efficiency unless rationalisation is extended to include river facilities as well as the dock systems. Purchase of the wharves [200]

[199] A new agreement establishing a special Rates Advisory Committee was concluded in 1934. *P.L.A., 26th Annual Report, 1934–35*, p. 6.

[200] This course is strongly approved by Sir Joseph Broodbank, in his *History*, Vol. II, pp. 509–10; and by the Transport and General Workers' Union, in Memo.

would remove several anomalies, including the presence of a competitor on the board of the Authority, and dredging by the Authority of a river channel above the docks to the direct benefit of its competitors. In particular, the P.L.A. would no longer make administrative decisions upon applications of other entrepreneurs to construct facilities in the port. In such cases it appears to act as judge in its own case, a procedural defect which remains objectionable despite the right of appeal to the Minister of Transport. Towards the end of the war both municipalities and private companies were refused licences for deep-water wharves, and a Parliamentary Bill for the same purpose was opposed by the Authority.[201] The P.L.A. was charged at the time with hindering the proper development of the port by vetoing such schemes for tidal facilities, and with aggravating the post-war congestion.[202] In retrospect its judgment was vindicated, for congestion proved temporary and abnormal, while many years passed before its own deep-water jetty at Tilbury attained full utilisation. As a matter of policy, moreover, the P.L.A. was established to eliminate pre-existing competition owing to its demonstrated wastefulness; it was hardly its duty to encourage new competition. The Board of Trade expressed its approval in a statement that:[203]

> by the Port of London Act, 1908, a single authority was established to administer, preserve, and improve the Port, and the scheme does not present any engineering or commercial advantages which would outweigh the desirability of maintaining the principle of a single representative authority for the whole Port.

In addition to destroying this potential source of dissatisfaction, purchase of the wharves would have a highly beneficial effect upon the problem of labour decasualisation by reducing the number of employers. Elimination of redundant capital, also, would be of advantage to merchants and to the ultimate consuming public alike. Competition exercises in reality too slight an influence on rates to have warranted traders' short-sighted objection to the Authority's proposal in 1932 to acquire Hay's Wharf, an objection apparently based on a dogmatic "broad principle involved in

No. 55 to the Royal Commission on Transport, 1929–31, *Minutes of Evidence*, Vol. III, p. 934, Par. 12.

201 *P.L.A., 9th Annual Report, 1917–18*, p. 17.

202 133 H. C. Deb. 5s., cols. 2064–6, 2099 (28 October, 1920).

203 *P.L.A., 10th Annual Report, 1918–19*, p. 20.

a public authority compulsorily acquiring a private undertaking." [204] If at some future date the growth in London trade is decelerated and the wharves lose some of their present prosperity, acquisition may again be feasible.

A more difficult but at the same time more imperative matter is redundancy of port capital in the country as a whole, a result of unfettered competition among the various public trusts and harbour-owning railway companies. We have the authority of Sir David Owen that: [205]

> Each port vies with its neighbours to attract trade from the others. They all rely upon competition, and in some cases spend large sums of money to provide facilities in an effort to divert traffic from other ports where similar facilities are already in existence.

In a period of expanding trade, such competition probably accelerated the scrapping of obsolete and the construction of additional new facilities, but the nation's trade since the war has been stationary or contracting. In the event, competition has encouraged duplication [206] and produced a high level of fixed charges on the industry, giving to foreign ports sufficient advantage to aggravate the contraction. The remedy is to be found in some form of national control of port development and its co-ordination with other agencies of transport.

When at the close of the war Sir Eric Geddes included such control among the terms of the Ministry of Ways and Communications Bill, the combined protests of shippers, merchants, and the port authorities themselves [207] induced him to insert a proviso exempting port and harbour authorities from its provisions.[208] Since their financial responsibilities would have been left unaffected,

[204] London Chamber of Commerce, *51st Annual Report of the Council, 1932*, p. 194.

[205] Owen: "Great Britain and South Africa — The Questions of Trade and Transport," in 26 *United Empire* 104, 106 (February, 1935).

[206] Cf. F. Brown: "Port Reorganisation — A National Problem," in 15 *Journal of the Institute of Transport* 132, 137–9 (January, 1934).

[207] Port of London Authority, *Ways and Communications Bill — Observations on the Proposals*, March, 1919 (pamphlet); London General Shipowners' Society, *Report of the Committee for 1918–19;* London Chamber of Commerce, *38th Annual Report of the Council, 1919*, p. 123; Lord Devonport in the House of Lords, 35 H. L. Deb. 5s. 593 (23 July 1919).

[208] Contrast the Ministry of Ways and Communications Bill, H. C. Bill 11 of 1919, with the Ministry of Transport Act, 1919, 9 & 10 Geo. V, Ch. 50, S. 4.

the resistance was probably justified. Despite a proposal of similar nature submitted to the recent Royal Commission on Transport on behalf of the Transport and General Workers' Union,[209] the Commission's Report was very inconclusive in regard to dock and harbour reform, making only a bare reference to regional consolidation and none to national co-ordination.[210] Nevertheless, the experience of the last fifteen years has produced a revolution in opinion on this subject among both administrators and users of the ports.[211] If associated with unification and nationalisation of the railways, as in South Africa,[212] the reform would involve administration by a central agency, either a Government Department or a public corporation on the model of the Central Electricity Board. A more feasible scheme would co-ordinate extensions, abandonments, and rate-making through a body similar to the Electricity Commissioners, leaving administration proper in the hands of existing and newly created regional port trusts. Under this plan the P.L.A. would constitute a single such authority. In any case, the time is ripe for an inquiry into this problem, which, if British trade is to be spared an unnecessary impediment, demands solution in the near future.

As far as London alone is concerned, the representative public corporation has proved its value. Analysis of the conditions under which the P.L.A. performs its task, however, shows the limitations of this form of administration. Where utilities of national scope are involved, or where a service is provided for unorganised bodies of consumers, the public corporation must take a different form, more closely related to the national legislature and dependent upon different motives for its effectiveness. This more recently developed and far more extensible form we shall find exemplified by the Central Electricity Board, the British Broadcasting Corporation, and the London Passenger Transport Board.

[209] Royal Commission on Transport, 1929–31, *Minutes of Evidence,* Vol. III, Memo. No. 55, Par. 16.

[210] *The Co-ordination and Development of Transport,* Final Report of the Royal Commission on Transport, Cmd. 3751 of 1931, Pars. 479–80.

[211] Cf. Owen, in 26 *United Empire* 104, 106 (February 1935); 92 *Shipping World* 147 (30 January, 1935); A. A. Logan, "Port Ownership and Control," in 15 *Journal of the Institute of Transport* 33 (November 1933); F. W. P. Hampton, "The Probable Effect on Ports if included in a scheme of Transport Rationalisation," *Ibid.,* 386 (June, 1934); F. Brown, "Port Reorganisation — A National Problem," *Ibid.,* 132 (January, 1934).

[212] Owen, *op. cit.,* p. 105.

III

THE CENTRAL ELECTRICITY BOARD

1. *Historical Background — The Need for a New Authority*

THE conception of the public corporation as a form of executive body to administer a service on a nation-wide scale first took shape in the field of electricity supply. It is true that the B.B.C. came into being three months before the Electricity Board and undertook regular operating functions a full six years prior to the latter, but public interest and Parliamentary attention had been given to the possibility of a central electricity supply authority for a considerable period before the very existence of radio broadcasting. Neither body can be said to have served as a precedent for the other. The grounds underlying the choice of this form for co-ordination of electrical generation and operation of a national interconnecting "grid" are therefore of special interest.

The historical background antecedent to the establishment of the Central Electricity Board reaches back to the earliest beginnings of the supply industry in this country. While the fundamental principle of electromagnetic induction which underlies all modern electrical development was discovered by Faraday in 1831, its first practical application on a commercial scale was delayed for a half century, until the invention of the carbon filament made possible the general use of electricity for lighting purposes. A further decade or two preceded the design of a satisfactory motor, which opened up to supply enterprises the immense domain of industrial power use. Since the turn of the century technical progress has been rapid and continuous. From the start, however, the industry was subjected to regulatory lesiglation the modification of which has in general failed to keep step with technical improvement.

The Electric Lighting Act of 1882[1] empowered the Board of Trade to license as authorised undertakers local authorities or private companies, subject in the latter instance to purchase after a term of years.[2] It was not unsuited to the then predominant use

[1] Electric Lighting Act, 1882, 45 & 46 Vict., Ch. 56.

[2] Under the Act of 1882, S. 27, the term was twenty-one years, but the dis-

of direct current capable of transmission over distances of only a few miles, but unfortunately established for the future a congeries of vested interests in small, unco-ordinated undertakings, often differing from one another in technical characteristics, and usually extending over only a single small local government area,[3] the incubus of which has to this day not been entirely removed. By 1900, no less than 518 provisional orders were in force, of which some two-thirds were held by municipalities.[4]

In the meanwhile, technical advances were rapidly making obsolescent the parochial control of electrical generation. Three phase alternating current, easily transmissible over wide areas, and the new and speedily growing demands for industrial power, necessitated development of administrative units on a larger scale and with greater security of tenure than those heretofore existing. A Parliamentary Joint Select Committee in 1898 [5] recommended authorisation of companies to supply in bulk over areas including many local authorities, either direct to power users or to pre-existing authorised undertakers for further distribution at retail. In this way it was hoped to achieve the economies of large-scale generating plant and improved load factor produced by the fusion of diverse demands. Opposition of local authorities to the so-called Power Bills subsequently introduced into Parliament to implement these proposals, however, succeeded in obtaining modifications which were effectually to prevent accomplishment of their principal objects. Not only might energy for lighting be supplied only through authorised distributors as middlemen, a perfectly unobjectionable measure of protection for existing interests, but in addition no area already occupied by a distributor was to be supplied at all by a Power Company without the former's consent, although this requirement might be waived if the Board of Trade found such consent "unreasonably" withheld. In effect, it was obtained only in rare cases without appeal to the Board, since

advantages of so insecure a tenure led to its extension to forty-two years under the Electric Lighting Act, 1888, 51 & 52 Vict., Ch. 12, S. 2.

N.B. On the use of the expression "private company," see note 198, p. 79, *supra*.

[3] *Report of the Committee appointed by the Board of Trade to consider the Question of Electric Power Supply* (*Williamson Report*), Cd. 9062 of 1918, Par. 11.

[4] *Electricity Commissioners, 1st Annual Report, 1920–21*, Par. 5.

[5] *Joint Select Committee of the House of Lords and the House of Commons on Electrical Energy* (*Generating Stations and Supply*) (*Cross Committee*), *Report*, H. C. Paper 213 of 1898, p. viii.

distributors " usually made every possible use of the powers which enable them to keep the Power Companies out of their district even as bulk suppliers." [6] Even then the Board's orders often applied only to single consumers instead of the whole area. Municipal authorities were found on the whole unwilling to negotiate with the Companies despite the notable economic advantages to be gained thereby. Exclusion from the latter's fields of operation of such cores of intensive demand, with few exceptions, made impossible the integration of densely and moderately populous regions with a high diversity factor which is both technically and commercially essential to the most successful organisation of supply. Twenty years after the first Power Companies had been formed it was stated on high authority that " the Acts have not been effectual in providing comprehensive systems of supply except in a few cases." [7] They had been unable to provide even co-ordination of generation over wide areas as envisaged by the Cross Committee.

An alternative technique of co-ordination was contemplated by an Act of 1909, which empowered two or more local authorities to exercise their supply powers in concert through the establishment of joint boards.[8] This proposal too broke upon the rocks of municipal jealousy, and only a single outstanding instance of the procedure was adopted.[9]

Hemmed in by these manifold restrictions, the British electrical supply industry developed along chaotic lines and at a rate inferior to that in any comparable industrial country in the world.[10] The demands of the Great War called its deficiencies to public attention in striking fashion, and toward its close the question of radical reorganisation was considered by a number of Departmental Committees. The first of these, sitting in 1917,

[6] *Interim Report of the Coal Conservation Sub-Committee of the Reconstruction Committee of the Ministry of Reconstruction on Electric Power Supply in Great Britain* (*Merz Report*), Cd. 8880 of 1918, p. 24.

[7] *Electricity Commissioners, 1st Annual Report, 1920–21*, Par. 7.

[8] Electric Lighting Act, 1909, 9 Edw. VII, Ch. 34, S. 8.

[9] The Stalybridge, Hyde, Mossley and Dukinfield Tramways and Electricity Board. Cf. W. Fennell, *A Review of the Grid Scheme — Its Inception and Operation* (London, 1933), p. 3.

[10] *Report of the Departmental Committee appointed by the Board of Trade to consider the Position of the Electrical Trades after the War* (*Parsons Report*), Cd. 9072 of 1918, Par. 4. *Electricity Commissioners, 1st Annual Report, 1920–21*, Par. 8.

viewed the problem from the standpoint of the electrical trades in general, and recommended creation of a co-ordinating "Board of Commissioners" and immediate introduction of "remedial and unifying legislation," regarding electricity supply and distribution "no longer as a parochial but as a national question of urgent importance."[11] Simultaneously, the question was being handled in greater detail from the angle of coal economy by a committee under Mr. Charles H. Merz, a well-known consulting electrical engineer, who has been intimately associated with the entire subsequent national development of the supply industry. In its Report emphasis was laid upon the technical distinction between generation and bulk transmission of energy on the one hand, where potential economies through concentrated production and large-scale administration were most evident, and retail distribution on the other. It was pointed out that the 600 supply undertakings in Great Britain had an average generating plant capacity of only 5,000 horsepower, while efficient generation would require units of 20,000 or even 50,000 horsepower, placed on sites carefully chosen to afford the maximum economy.

Such alteration necessitated construction of an interconnected high-pressure transmission system for each industrial district. It was therefore recommended that comprehensive reorganisation be undertaken under a central co-ordinating body of Commissioners, with an executive authority to deal with "main," or extra high tension, distribution in each of sixteen districts into which the country would be divided. No definite opinion was expressed as to the constitution of the regional authorities, although various alternatives, including joint bodies representative of existing undertakers, power companies acquiring existing rights, and local boards appointed by the State, were put forward for consideration.[12]

A further Electric Power Supply Committee, under the Chairmanship of Sir Archibald Williamson (later Lord Forres), was at once appointed to take evidence and report on legislative steps "to insure that there should be an adequate and economical supply of Electric Power for all classes of consumers in the United Kingdom."[13] The need for reorganisation expressed by the two

[11] *Parsons Report*, Pars. 25, 28.

[12] *Merz Report*, Pars. 18, 20, 22, 28, 48(1) and (8), and Appendix C, p. 25.

[13] *Williamson Report*, Par. 1.

earlier bodies was reaffirmed by the Williamson Committee,[14] which in the main followed the lines laid down by the Merz Committee. A body of five Electricity Commissioners was to be set up, appointed by the President of the Board of Trade and endowed not only with regulatory and quasi-judicial functions, but also with a general mandate to encourage further development. They were to delimit large electricity districts, with single and unified ownership of the generating and main transmission systems in each. "In the national interest," moreover, it was felt that this equipment should be publicly owned, and administered by small District Boards representing local authorities, authorised distributors, railway companies, and other large consumers, although actual operation might be carried on by Power Companies under lease from the Boards. Financed either locally or through the national Treasury, the Boards would be self-supporting but non-profit making. They would have compulsory power to acquire all existing generating stations and main transmission lines. In regard to distribution, however, the Committee said: [15]

> We think it well to state our opinion that, if the supply of electricity were being commenced *ab initio,* it would be found best for generation and distribution to be conducted by one and the same body. In present circumstances, however, our view is that distribution, especially in the case of the larger towns, should generally be left in the hands of present distributors, unless they wish to transfer it.

Nevertheless, no hard and fast line was drawn, and it was envisaged that the Boards or their lessees might supply direct to large consumers wherever such practice was economical.

Before legislation was drafted, the Minister of Reconstruction obtained the opinion on this Report of the Committee of Chairmen of his Advisory Council. It is interesting to note that while the post-war reaction against State activity robbed this latter body's conclusions of serious consideration at the time, it foresaw in 1918 the broad necessities inherent in the position of British electricity supply which eight years later were to become generally admitted. The members concluded [16]

[14] *Williamson Report,* Pars. 17, 29, 31, 37, 38, 51–2, 56(g).

[15] *Ibid.,* Par. 65.

[16] *Ministry of Reconstruction, Advisory Council, Report of the Committee of Chairmen on Electric Power Supply (Birchenough Report),* Cmd. 93 of 1919, Par. 9.

that any comprehensive and efficient system for the development of electrical generation and main line transmission in the United Kingdom must be not only a national system, but a single unified system, under State regulation, in the financing of which the State would participate upon a large scale. . . . Such a unified national scheme as we have in view should be framed and administered throughout upon a definitely commercial basis; and not, in any sense, upon Civil Service lines.

The national public corporation was clearly foreshadowed in the proposal for an Electricity Board of six members, " selected from men of proved business capacity and experience of affairs accustomed to handle large commercial undertakings," and performing its functions through a commercially organised Operating Executive.[17] The Board was to be left free to undertake distributive operations as and when it considered them desirable. It is to-day by no means certain that thoroughgoing reconstitution of the industry in all its aspects along these lines may not yet be instituted by State action.

The Electricity (Supply) Bill introduced into the House of Commons in May, 1919,[18] returned to the less drastic scheme of the Williamson Committee, which it incorporated with few modifications. A body of Electricity Commissioners would take over the general regulatory functions hitherto performed by the Board of Trade, and constitute by Special Order, requiring affirmative Parliamentary sanction, District Electricity Boards endowed with power to acquire compulsorily all generating stations and main transmission lines within their districts, to construct new stations and other works, and to distribute wholesale to authorised undertakers, or, in limited cases, direct to consumers. Powerful opposition of vested interests in the House of Lords constrained the Government to accept amendments substituting for the District Boards Joint Electricity Authorities representing authorised undertakers, local authorities, large consumers, and other interests within the districts, with no compulsory authority whatever.[19] New generating stations and transmission lines might be constructed by a Joint Authority, but existing ones could be

[17] *Ibid.*, Pars. 17, 23.
[18] H. C. Bill 72 of 1919.
[19] Cf. Electricity (Supply) Act, 1919, 9 & 10 Geo. V, Ch. 100, S. 6.

acquired only by agreement, as might also the undertakings of authorised distributors. A clause providing Treasury guarantee of interest on £25,000,000 of stock to be issued by the Commissioners for loans to Boards and other authorised undertakers was also struck out. On the promise of Sir Eric Geddes, Minister of Transport, that the compulsory powers would be re-introduced in the following Session,[20] the lower House accepted the emasculated Bill as a *pis aller,* and it received the Royal Assent on 23rd December, 1919.

A Bill restoring the compulsory powers and financial provisions was duly introduced in 1920,[21] but since opponents of the measure in the Commons refused to let it be accepted as non-controversial, the Government was unable to take time for its consideration, and it lapsed. At the same time, the Electricity Commissioners raised hopes, which later proved unjustified, of a " general disposition on the part of undertakers and authorities . . . to co-operate in the promotion of voluntary schemes." [22] A less controversial Bill [23] was therefore introduced the following year, omitting the compulsory clauses, but comprising financial provisions to facilitate the work of the Joint Authorities in carrying out agreements for voluntary co-operation. Parliamentary time was not found even for this measure, and it was only in 1922 that the desired provisions, described by the Commissioners two years previously as " urgently necessary to enable them to proceed with their statutory duties," [24] were put on the statute book.[25]

As established by the Act of 1919, the Electricity Commissioners were a body of five, or sometimes four, members, appointed by the Minister of Transport with the concurrence of the Board of Trade for " promoting, regulating, and supervising the supply of electricity." [26] Three have always been electrical engineers, with experience in municipal or private undertakings, while the others have been drawn from high administrative circles. Only one Commissioner has served for a shorter period than five years, and the

[20] 123 H. C. Deb. 5s. 1122–3 (22 Dec. 1919).
[21] Electricity (Supply) Bill, 1920, H. C. Bill 67 of 1920.
[22] 136 H. C. Deb. 5s. 71 (13 Dec. 1920).
[23] Electricity (Supply) Bill, 1921, H. C. Bill 65 of 1921.
[24] 136 H. C. Deb. 5s. 72 (13 Dec. 1920).
[25] Electricity (Supply) Act, 1922, 12 & 13 Geo. V, Ch. 46.
[26] Act of 1919, SS. 1, 39.

average tenure has been much longer. Although an ex-Parliamentary Secretary to the Ministry of Transport once described them as being " almost a judicial body and not responsible to a Minister, although a Minister is responsible to Parliament for them," [27] they act in practice as a sub-department of the Ministry. Civil Service conditions apply to members of the staff,[28] whose remuneration is determined by the Minister.[29] Administrative expenses, however, are paid by the supply industry, being apportioned among Joint Authorities and authorised undertakers in proportion to the number of units of electricity sold.[30] The Commissioners took over most of the regulatory powers formerly exercised by the Board of Trade, and serve as a general supervisory body for the industry, collecting statistics, sanctioning new generating stations, main transmission lines, extensions of plant, borrowing by local authority undertakers, and arrangements between undertakers for mutual assistance and bulk supplies. They issue Special Orders in place of the Provisional Orders formerly granted under the Electric Lighting Acts and " Fringe Orders " permitting supply in exceptional cases by one undertaker to consumers within the area of another.[31] They also carry on research and encourage the general development of supply, especially to rural areas.[32]

Most important among their powers, however, at least in the minds of the legislators of 1919 and 1922, were a general discretionary authority to require standardisation of frequency, and duties in regard to reorganisation of electricity supply. The latter involved delimitation of electricity districts and formulation and adoption of schemes for the establishment of Joint Authorities. Fifteen districts were provisionally determined during the first few years, but the procedure required before any scheme was finally adopted involved much delay and by 1924 only four had

[27] Lt.-Col. Moore-Brabazon, at 206 H. C. Deb. 5s. 265 (10 May 1927).

[28] *Electricity Commissioners, 1st Annual Report, 1920–21*, Par. 17.

[29] Act of 1919, S. 1(7).

[30] *Ibid.*, S. 29(1).

[31] For a general survey of their duties, cf. *1st Annual Report, 1920–21*, Pars. 22–157.

[32] Outstanding work in this connection has been done in two elaborate demonstration schemes at Bedford and Norwich. Cf. *Electricity Commissioners, 11th Annual Report, 1930–31*, Pars. 92–119; *12th Annual Report, 1931–32*, Pars. 101–14.

come into force.[33] Co-operative efforts on the part of authorised undertakers, absolutely essential to the success of the 1919 Act, were not forthcoming. The majority of them showed no inclination to transfer their generating stations to a Joint Authority; as a result, they preferred the establishment of mere Advisory Boards, which were unable to effect thoroughgoing co-ordination. Only one of the first four schemes included a Joint Electricity Authority, that for North Wales and South Cheshire, and most of its powers were transferred to a Power Company. After four years of continuous effort to make non-compulsory reorganisations successful, the Commissioners were forced to conclude that [34]

there has so far been no fusion of interest in the generation and transmission of electricity, and that they have found themselves unable to secure a thorough reorganisation of the supply of electricity in any district on the lines contemplated by the Act of 1919. . . .

The powers of control vested in the Commissioners by the General Acts have enabled progress to be made in securing co-ordinated developments during the past four years, but it has become apparent that a real re-organisation, which will adequately serve the requirements of the country, can only be achieved on the voluntary basis of the Act of 1919 by a radical change in the attitude of authorised undertakers in general, and that, failing the early disappearance of the obstacles which have hitherto retarded progress, the whole position will call for review.

Convinced of the failure of existing legislation, the Labour Government of 1924 made plans to restore the deleted clauses of the original Bill of 1919 and to offer State assistance for nation-wide standardisation of frequency and other electrical developments, but its removal from office delayed further immediate progress.[35] In January, 1925, the Baldwin Government decided before formulating a policy of its own to appoint a small Committee consisting of Lord Weir of Eastwood, Lord Forres (Chairman of the 1918 Williamson Committee), and Sir Hardman Lever, with Sir John Snell, the Commissioners' Chairman, as technical adviser, to review the entire problem. While not holding any

[33] *4th Annual Report, 1923–24*, Pars. 41–5.

[34] *Ibid.*, Pars. 46, 49. Cf. also Pars. 32–5, 64–79.

[35] 176 H. C. Deb. 5s. 2106–7 (30 July 1924); *Electricity Commissioners, 5th Annual Report, 1924–25*, Pars. 4–6.

formal hearings, this Committee obtained the opinions of several of the Commissioners, the President of the Institution of Electrical Engineers, various consulting engineers, and two gentlemen with experience in co-ordination of electrical supply over wide areas in America.[36] Their Report, made in May, 1937,[37] marks the beginning of a new era in British electrical history.

The defects of the existing situation and technical remedies to be applied were in essence much the same as when the Cross Committee met in 1898. Efficient utilisation of the national power resources required concentration of generation in a small number of well-situated stations, with an interconnecting system of transmission lines. The intervening quarter century had demonstrated the failure of three separate attempts — Power Company, Joint Board, and Joint Electricity Authority — to achieve these objects on anything more than county-wide scale. After three years of severe post-war industrial depression, the need for reorganisation was felt to be more pressing than ever, for there was widespread fear of a decline in Britain's competitive position in world markets for manufactured products.[38] Comparative statistics indicate that this country was signally behindhand in exploiting the potentialities of electricity. In 1924–25, as against an average output per head of population of 380 units (kilowatt-hours) for the eleven leading industrial countries, British output was only 190 units.[39] While the United States and Germany, the principal manufacturing competitors, had electrified respectively 73 and 66 per cent of their industrial plant, Britain's degree of electrification was only 48 per cent.[40] It was clear that drastic action was in order.

Unlike all the previous bodies which had considered the subject, the Weir Committee had the advantage of information collected by the Commissioners over a period of five years. It was therefore able to review the existing position in detail and to esti-

[36] 193 H. C. Deb. 5s. 1836 (30 March 1926).

[37] *Ministry of Transport, Report of the Committee appointed to review the National Problem of the Supply of Electrical Energy (Weir Report), 1925* (Non-Parliamentary publication).

[38] Cf. the verbatim report of Mr. Baldwin's speech at Birmingham, 15 January 1926, in *The Times*, 16 January 1926.

[39] 103 *The Economist* 764–5 (6 November 1926).

[40] 105 *The Economist* 735–6 (29 October 1927). For a general survey of electricity supply in Britain and on the Continent, cf. J. Legge: *Grundsätzliches und Tatsächliches zu den Elektrizitätswirtschaften in Europa* (Dortmund, 1931).

mate with some degree of reliability economies which might be effected in ten or fifteen years by a definite scheme of technical reorganisation. It found that there were then 572 authorised undertakers owning among them 438 generating stations, of which twenty-eight generated 50 per cent of the total energy, while not more than fifty could be regarded as of "really suitable size and efficiency."[41] The essential requirement for improved efficiency was a grid system interconnecting not only the several stations within separate industrial districts, but also those districts with one another. The whole of Great Britain, indeed, was seen after the experience of the last few years to be "in many respects an ideal electrical area."[42] The savings to be derived from interconnection had been proved both by foreign practice and on the North-East Coast, where an outstandingly successful Power Company had already constructed a grid on a smaller scale.[43] They could be divided among three heads:[44]

1. Savings in capital expenditure, due to use of larger and more economical generating units, reduced need for spare plant, and improved load factor.

2. Savings in operating costs, due to improved location of stations, more efficient coal consumption, savings in labour, utilisation of the most efficient stations for base load, retaining less efficient plant for peak demands only, and the use of waste heat and water power.

3. Savings resulting from increased load, due to the possibility of tapping areas from grid lines which could otherwise not be economically developed, especially rural areas with their high diversity factor. This last element would involve social as well as economic gains.

It was estimated that whereas without interconnection the average retail price might by 1940, when consumption should reach 500 units per head, be reduced from 2.047d. to a minimum of 1.5d. per unit, the grid would permit a reduction to 1d., thereby effecting an annual national saving of £44,500,000.[45] As a "broad picture subject to modifications and improvement," the Committee proposed that generation should be carried on in fifty-eight stations, connected with one another and with existing regional

[41] *Weir Report*, Par. 17.
[42] *Ibid.*, Pars. 23–4.
[43] Cf. 193 H. C. Deb. 5s. 1803 (29 March 1926).
[44] Condensed paraphrase of Appendix 3 to the *Weir Report*, at p. 37.
[45] *Weir Report*, Par. 29.

transmission and distribution systems.[46] The capital cost of the grid was estimated at about £25,000,000.

Owing to the unco-ordinated development of the past, further measures would be required to cope with the obstacle of widespread non-standard alternating current frequencies. Successful national interconnection would demand complete standardisation, but a dozen different frequencies were then in use in various parts of the country, and two very important undertakings, the Birmingham Corporation (twenty-five cycles) and the Newcastle-upon-Tyne Electric Supply and associated Companies (forty cycles), were outside the standard system of fifty cycles. The Weir Committee recommended immediate general standardisation, at an estimated cost of £10,500,000, spread over three or four years. The expense would be defrayed directly by the Treasury, possibly reimbursed in the future by a levy on all energy sold by the industry.[47]

It will be noticed that the technical scheme as thus outlined was limited to reorganisation of generation and high-pressure transmission, and did not affect existing distributors except in so far as it reduced the wholesale cost of energy. The Weir Committee was well aware of the many defects in distribution,[48] but saw no need for administrative reorganisation in that branch. A further factor influencing it to restrict its suggestions to the immediate and pressing requirements of production and wholesale transmission was doubtless the unhappy experience of the 1919 Bill in the Lords.[49] Expressing a clear desire "not to impair or interfere unnecessarily with existing rights," the Report treated distribution as "essentially a local matter, and a suitable function for decentralisation," in the main omitting it from the constructive proposals.[50]

To realise the technical scheme, a new authority had perforce to be created, for no existing body was endowed with powers on anything approaching the contemplated scale. Two main considerations guided the Committee in recommending a public

[46] *Ibid.*, Par. 31.
[47] *Ibid.*, Pars. 88–94.
[48] *Ibid.*, Pars. 69, 103–8.
[49] G. H., *The Socialization of the Electrical Supply Industry* (London, 1934), p. 16.
[50] *Weir Report*, Pars. 19, 55.

authority: first that the large amount of capital required would probably necessitate some form of State assistance or guarantee, and second, and ultimately more important,[51]

that a beneficial mechanism created by the help of the state must be operated so as to secure the best results for all, and the realised economies must inure in the main to the consumer.

Thus after seven years the vision of the Birchenough Committee was vindicated. A public corporation under the name of the Central Electricity Board was to be established, appointed by the Minister of Transport, with a Managing Director and expert executive staff.[52] It would construct a grid in accordance with schemes approved by the Commissioners, indicating certain selected generating stations, sites for new stations, and proposed transmission line routes. Capital would be raised by the issue of stock in the open market, carrying a Treasury guarantee. To ensure even the most elementary uniformity in the distribution of grid economies, it would not suffice for the Board to act merely as a middleman buying wholesale from efficient stations, transmitting, and selling to less efficient stations, or as a transmission agent carrying out contracts for bulk sale between existing undertakers. It was essential both that bulk supply prices be based on total costs rather than the marginal costs for each separate contract, and that some overriding authority be in a position to determine in advance a generating programme over wide areas allocated to the most efficient plant. On the other hand, the Committee feared that ownership of all stations by the Board would involve immense difficulties in the transfer of rights and possibly lead to "stereotyped practice, check development, remove incentive from the officials and tend to bureaucratic administration."[53] An ingenious compromise was therefore evolved, superimposing the Board on the existing system by giving it control of stations left formally in the hands of their owners. It would buy all energy generated and sell it to authorised distributors (including owners of selected stations), Power Companies, and Joint Electricity Authorities, at a cost including the Board's expenses. Non-selected stations would find it economically advantageous to close down, buy from the

[51] *Weir Report*, Par. 38.
[52] *Ibid.*, Appendix 4, p. 38.
[53] *Weir Report*, Par. 43.

grid, and devote themselves to distribution, but past experience led the Committee to recommend supplementing the economic influence by authority for the Commissioners compulsorily to close inefficient stations. No direct supply to consumers would be undertaken by the Board, with the definite exception of railways and possible exception of large industrial power users in "unoccupied" areas. The entire scheme was summed up as

> not a change of ownership, but the partial subordination of vested interests in generation to that of a new authority for the benefit of all, and this only under proper safeguards and in a manner which will preserve the value of the incentive of private enterprise.[54]

In January, 1926, Mr. Baldwin announced the Government's acceptance of the broad outlines of the Weir Report,[55] and the Electricity (Supply) Bill was introduced into the Commons in March of that year.[56] Its terms included establishment of a national public Board to concentrate and co-ordinate, but not itself partake in, generation of electricity at stations to be selected in accordance with one or more technical schemes approved by the Commissioners, construction of an interconnecting grid, and sale of all supplies generated by selected stations to the Board, which would be under obligation to supply the demands of authorised undertakers. Frequencies were to be standardised at the joint discretion of Commissioners and Board, and at the latter's expense.

A long and stormy voyage preceded the final emergence of the Act more than nine months later. The Labour Party was opposed to the Bill as inadequate, and claimed that in its anxiety to leave existing interests untouched it created an unnecessarily complex system of control. Electricity was "one of the master keys of the future";[57] in consequence "the principle of public ownership should run right down through the system from the top to the bottom," and include distribution as well as generation and main transmission.[58] A new Board was unnecessary, for the desired executive powers could be put in the hands of the Commis-

[54] *Ibid.*, Par. 53.

[55] *The Times*, 16 January 1926. Cf. also *Ministry of Transport, Memorandum on the Electricity (Supply) Bill, 1926*, Cmd. 2605 of 1926.

[56] H. C. Bill 59 of 1926.

[57] 199 H. C. Deb. 5s. 1443 (12 November 1926).

[58] 193 H. C. Deb. 5s. 1705, 1713, (29 March 1926).

sioners.[59] Nevertheless, Labour members were willing to accept the Government proposals as far better than nothing,[60] and in Committee devoted themselves largely to the defence of local authorities.[61] The most severe opposition came from a group within the Conservative Party itself, led by Mr. George Balfour, a director on the boards of many Power Companies, who was aptly described by the Attorney-General as "the arch-ohm — the spirit of resistance."[62] Not only did they attack the measure as "Socialistic," but they insisted that it was unnecessary, evil, and certain to be a disastrous failure.[63] They were satisfied that private enterprise would accomplish whatever reforms might be necessary.[64] This Conservative opposition was responsible for expenditure on the details of a forty-clause Bill of no less than twenty-seven days in Standing Committee, where it voted against the Government on fourteen of the fifty-three divisions. In several of these cases, which sometimes determined the fate of fundamental provisions, Labour support was needed to turn the balance in the Government's favour.[65]

In the course of its progress through Committee, Report, and the House of Lords, a multitude of alterations were made which, while leaving untouched the basic principles, were to have a significant influence on the future working of the Act. Chief among them were: (a) a shift in the relationship of the Board and Commissioners, who were now to prepare the technical schemes in the first place, instead of approving them as submitted by the Board,[66] (b) removal of the cost of standardisation of frequency from the shoulders of the Board directly onto the entire industry,[67] and (c) insertion throughout the statute of the principle of arbitration, wherever the Board's interests came into contact with those of

[59] *Parliamentary Debates, Official Report, Standing Committee C, 1926*, cols. 8–10 (27 April).

[60] 193 H. C. Deb. 5s. 1794 (29 March, 1926).

[61] *Standing Committee C, 1926*, cols. 79 (29 April), 888 (29 June), and 1397 (19 July).

[62] 199 H. C. Deb. 5s. 1429 (12 November, 1926).

[63] 193 H. C. Deb. 5s. 1714–20 (29 March 1926), and 1871 (30 March, 1926).

[64] 199 H. C. Deb. 5s. 1496–7 (12 November, 1926); *Standing Committee C, 1926*, cols. 221–227 (3 June).

[65] For example, at cols. 202 and 226 (3 June).

[66] Electricity Supply Act, 1926, 16 & 17 Geo. V, Ch. 51, S. 4(4).

[67] *Ibid.*, S. 9(3).

other undertakers.[68] So complex and numerous are the appeal provisions, indeed, that a determined obstructionist could probably frustrate any attempt by the Board to exercise its statutory powers of compulsion.[69] Other minor amendments were similarly designed to afford additional safeguards to existing interests.

In spite of these changes, the Electricity (Supply) Act, 1926, laid the basis for a radical revision of the supply industry so successfully that an engineer of socialist leanings was able to write eight years later "that the problem of generation and main transmission . . . has been effectively dealt with."[70] A study of practice under the 1926 Act indicates that the fundamental divergence from the legislation of 1919 which brought to the latter unqualified failure but comparative success to the former, lay not so much in the insertion of compulsory powers, which have been little if ever used even as a bargaining lever, as in the establishment of a new administrative body, independent of existing undertakers, empowered to carry through the desired reforms. The heart of the contemporary British electrical supply industry is the Central Electricity Board.

2. *Constitution and Powers of the Board*

The Central Electricity Board, "a body corporate with power to hold land without license in mortmain," is composed of a Chairman and seven members, appointed by the Minister of Transport for terms of from five to ten years.[71] In making his nominations, he is guided, but not compelled, by the statute to seek the advice of representative bodies in the fields of local government, electricity, commerce, industry, transport, agriculture, and labour. Members of Parliament are ineligible. The Chairman and any other full-time member must divest himself of any interest in electrical supply or manufacturing companies, and other members must abstain from deliberations concerning contracts with companies in

[68] *Ibid.*, SS. 4(3), 5(1), 9(4), 10(3)(b), 14(2), and 1st Sch.

[69] 103 *The Economist* 455, 456 (18 September 1926).

[70] G. H., *op. cit.*, pp. 35–36.

[71] Act of 1926, S. 1. For a popular legal exposition of this statute, cf. W. S. Kennedy, *The New Electricity Act — A Popular Exposition* (London, 1927). A more technical legal exposition is to be found in E. Macassey, *Wills' Law Relating to Electricity Supply*, 6th. ed. (London, 1932). Neither work, of course, includes the modifications under the Act of 1935.

which they are interested. In designating the Chairman as a full-time member by fairly clear implication,[72] the Act indicated his position as that of a kind of Managing Director, who would take an active share in the executive work of the Board. In practice he alone serves full time and is paid £7,000 annually, the other members receiving £750 each.[73] It is interesting to note that the remuneration of C.E.B. members is at the absolute discretion of the Minister, an unusual provision in the constitution of public corporations.[74] The Treasury had specifically declared its desire to have no control, fearing that it would tend to make the C.E.B. a State service.[75] While the Minister's power might conceivably be abused to afford him unwarranted political influence, especially over a Chairman without other means of support, it is unlikely in the light of the general British tradition that such use will be made of it. There is no provision for removal, other than on account of unexcused absence from meetings for over six months.

As the Electricity Board was the first national public corporation, it was only natural that much consideration should be given to the possibility of constituting it on the representative basis which had proved so successful at the ports of Liverpool and London. In his speech on the proposed legislation early in 1926, Mr. Baldwin said that the Government had in mind:[76]

> a board managed by practical men closely in touch with the industry on the lines of such an authority as the Mersey Docks and Harbour Board or the Port of London, where the common services necessary to an industry are carried out under the direction of practical men who are connected in some way or another with some aspect of the work.

When it came to drafting the terms of the statute, however, those models were found to be inapplicable. A "diehard" amendment proposing such a scheme would have left its working out in detail

[72] This was the Government's intention. Cf. *Standing Committee C, 1926*, col. 174 (20 May).

[73] 202 H. C. Deb. 5s. 1752 (15 February, 1927).

[74] Act of 1926, S. 1(9). It will be recalled that the P.L.A. may remunerate only certain members, but at figures within its discretion. The B.B.C. fixes its own salaries within prescribed statutory maxima, while those of the London Transport Board are fixed by the Minister after consultation with the Appointing Trustees and the Treasury.

[75] *Standing Committee C, 1926*, col. 752 (15 Feb., 1927).

[76] Speech at Birmingham, 15 Jan. 1926, reported in *The Times*, 16 Jan. 1926.

to the Minister,[77] probably because its proponents were unable to devise specific contents for it. The only suggestion put forward was a body representative of large consumers, rate-payers, producers, and municipalities.[78] This proposal would have made the Board a scene of continuous conflict among competing interests with no obvious broad harmonising influence and no machinery to effect such harmonisation outside the authority itself, the two factors which we have seen in the case of the P.L.A. to be essential to the success of a representative public corporation. Only a body appointed from above could be expected to serve a general interest and not the ever-shifting resultant of a multitude of uncertain, unco-ordinated, individual forces.

On similar grounds the Government rejected every suggestion for specific representation of interests like agriculture and labour,[79] not because their view-points should not be expressed at Board meetings,[80] but because it would be fatal to positive action for members to be present expressly to defend particularist elements and to be responsible to them for the advancement of their interests. In the words of Viscount Peel, who conducted the Bill in the House of Lords: [81]

> It is not that it should be composed of the representatives of different industries and occupations; it is that it should be composed of seven members and a Chairman of wide experience in affairs and business who, if possible, should not be directly representative of any industry, but should very impartially consider the interests of all.

Hence the compromise provision which merely directed the Minister in the choice of interests to be consulted.

The question of the proper appointing authority was also a matter for considerable dispute. As the head of the Department exercising general supervision over electricity supply, the Minister of

[77] 199 H. C. Deb. 5s. 972–3 (9 Nov. 1926).

[78] *Ibid.*, 977.

[79] 65 H. L. Deb. 5s. 860–2 (30 Nov. 1926); *Standing Committee C, 1926*, cols. 119–28 (18 May) and 168 (20 May).

[80] Thus Mr. Herbert Morrison, who disfavours interest representation in the narrow sense on public corporations, said in 1930, in defending his appointment to the C.E.B. of the General Manager of the London and North Eastern Railway: "It is very desirable that the railways should be associated with the Central Electricity Board." 245 H. C. Deb. 5s. 2223 (3 Dec. 1930).

[81] 65 H. L. Deb. 5s. 860–2 (30 November, 1926).

Transport was the obvious choice, but preference was expressed by some for the Lord Chancellor or the Treasury, on the ground that they would be more "neutral" and to prevent undue influence by the Minister over the Board's policy.[82] The grounds for the rejection of these proposals are of special interest in view of the appointing body finally adopted for London Transport. To associate the C.E.B. with the Treasury, it was claimed, would tend to place it on a Civil Service basis, eminently unsuitable for a commercial authority. To remove it entirely from the purview of the House of Commons, on the other hand, would make impossible any ultimate democratic control over its personnel. A careful course had to be steered between political control hampering necessary freedom of action, and complete irresponsibility for a body whose decisions might affect the entire industrial structure of the nation and involve the broadest questions of social policy. Appointments were finally placed solely in the hands of a Minister answerable for his action to the lower House.[83]

The first Board was appointed by Col. Ashley (now Lord Mount Temple), Minister of Transport, as from 1st March, 1927. While he later refused to detail at length the interests consulted, he indicated that there were sixty or seventy bodies among them,[84] and it may safely be assumed that no section specified in the Act was omitted. The Members, with their leading activities, were as follows:

Sir Andrew Duncan, Chairman.
Barrister. Vice-President of the Shipbuilding Employers' Federation, 1920–27. Chairman of the Advisory Committee of the Coal Mines Department 1920–29. Now a Director of the Bank of England, and Chairman of the British Iron and Steel Federation.

The Lord Barnby (formerly Bt.-Col. the Hon. Vernon Willey).
Banker and wool merchant. Director of Lloyds Bank, Ltd. Former President of the Federation of British Industries.

Sir James Devonshire, M.I.E.E.
Electrical supply companies. Vice-President of the Incorporated

[82] 65 H. L. Deb. 5s. 863; 199 H. C. Deb. 5s. 981–2 (9 Nov. 1926); *Standing Committee C, 1926*, cols. 106, 120 (18 May).

[83] 199 H. C. Deb. 5s. 984–5 (9 Nov. 1926).

[84] 207 H. C. Deb. 5s. 1661 (21 June, 1927). Mr. Morrison, when Minister of Transport, similarly refused to detail the interests consulted. 231 H. C. Deb. 5s. 1542 (11 Nov. 1929).

Association of Electric Power Companies and of the Tramways and Light Railways Association. Chairman of the Bedfordshire, Cambridgeshire and Huntingdonshire Electricity Company. Deputy-Chairman of the North Metropolitan Electric Power Supply Company. Director of several other Power Companies. Member of the London and Home Counties Joint Electricity Authority.

Mr. Frank Hodges.
Labour. Secretary of the International Miners' Federation, 1925–27. General Secretary of the Miners' Federation of Great Britain, 1918–24. Civil Lord of the Admiralty in the first Labour Government (1924).

Sir James Lithgow, Bart.
Shipbuilder. Former President of the National Confederation of Employers' Organisations.

Mr. William Walker, M.I.E.E., M.I.Mech.E.
Municipal electrical supply. Vice-Chairman of the Manchester Electricity Department. Chairman of the National Joint Board (Whitley Council) for the Electricity Supply Industry.

Sir Duncan Watson, M.I.E.E.
Power Companies and Joint Electricity Authorities. Chairman of the London and Home Counties Joint Electricity Authority, (representing Local Authority Undertakers of the County of London on that Authority).

Mr. W. K. Whigham.
Banker. Director of the Bank of England and of the London and North Eastern Railway. Member of the Trade Facilities Advisory Committee.

Four changes have since taken place. On the resignation of Sir James Lithgow in October, 1930, Sir Ralph Wedgwood, Chief General Manager of the London and North Eastern Railway, was appointed in his place. At the end of 1934, Lord Barnby resigned and Sir Andrew Duncan vacated the Chairmanship, becoming an ordinary member. As the new Chairman, the Minister appointed Sir Archibald Page, M.Inst.C.E., M.I.E.E., General Manager of the Board throughout its life, a distinguished engineer with long experience in both municipal and private supply undertakings, who had served on the Electricity Commission from 1920 to 1925. In February, 1936, Sir James Devonshire was replaced by Mr. R. P. Sloan, M.I.E.E., Chairman of the North-Eastern Electric Supply Company.

It cannot be said that the personnel inspired immediate and universal confidence.[85] Nevertheless, as can be seen, it included men of administrative, industrial, financial, and engineering experience, and among the leading interests most closely affected by the Board only agriculture was passed over.[86] The administrative ability of both the Chairmen is not subject to question. The engineering qualifications of half the present members, including the Chairman, gives to the governing body full understanding of the technical, as well as financial and commercial, aspects of the work of their executive.

The grant of powers of the C.E.B. is made only in limited terms. Section 2 of the Act of 1926, with the headnote " General powers and duties of the Board," reads as follows:

> The Board shall be charged with the duty of supplying electricity to authorised undertakers in accordance with the provisions of this Act, but shall not, save as hereinafter expressly provided, themselves generate electricity, and the Board shall have such further powers and duties as are provided by this Act.

Under the original statute, it might not supply directly to bodies other than authorised undertakers except for power purposes in " unoccupied " areas,[87] but the amending Act of 1935 permits under certain restrictions direct supply to railways.[88]

Its positive duties may be grouped under three heads: (1) adoption of technical schemes, (2) implementation of the schemes, and (3) operation of the schemes, including control of generation and purchase and sale of energy. The financial powers required to carry out these duties will be more fully discussed in the subsequent section.

Schemes for the various areas into which the country is divided are prepared in the first place by the Electricity Commissioners, and specify selected stations, interconnecting grid lines, to be constructed or acquired, including lines between different areas,

[85] Cf. 104 *The Economist* 317–8 (12 Feb. 1927).

[86] Col. Ashley attempted to represent Lord Barnby as an agricultural member, on the grounds of his experience as a wool merchant, and as a master of foxhounds [202 H. C. Deb. 5s. 571 (14 Feb. 1927)], but the claim carries little conviction.

[87] S. 20(3)(b). An " unoccupied " area is one over which no authorised undertaker has been granted rights of supply.

[88] Electricity (Supply) Act, 1935, 25 Geo. V, Ch. 3, S. 4.

necessary standardisation of frequency to make interconnection possible, and temporary arrangements to be made during the period of construction.[89] The C.E.B., however, is not required to accept the schemes as submitted, but after giving interested parties an opportunity to submit representations may make such modifications as it sees fit, without the Commissioners' approval. It must publish the scheme as adopted and is thereupon required immediately to give effect to its provisions.

Following the Weir recommendations, the Act envisages the Board as owning only the grid lines, but not generating stations. These lines had for the most part to be constructed new in their entirety, but where high tension lines had already been laid down by Power Companies or others, the Board might acquire them on terms of original cost less depreciation, or arrange by agreement for their user.

It was to arrange with owners of selected stations for their operation under C.E.B. control, and for necessary extensions and alterations, whether specified in the scheme or directed later by the Board with the Commissioners' approval. Only in case of an owner's refusal to make or to comply with such arrangements may he be compulsorily dispossessed, under an order from the Minister of Transport which must be laid before Parliament before coming into force.[90] The order is if possible to vest the ownership in some other authorised undertaker, failing which the Board itself may acquire the station. Even in this remote eventuality, opportunity is to be given to others to operate it, so that generation may not be carried on directly by the C.E.B. except as a last resort. In practice, as we shall see, the Act so favours selected station owners as a class that it was highly unlikely that this provision would ever be called into operation. Up to the present, the acquisition of a station has never even been mooted.[91] Similar arrangements are made for providing new stations, which may not be constructed or operated by the Board unless no one else can be found willing to undertake the task.[92] In standardising frequency discretion was given the C.E.B. not only to require alterations provided in the schemes,

[89] 1926 Act, S. 4.
[90] *Ibid.*, S. 5.
[91] W. Fennell, *A Review of the Grid Scheme*, p. 5.
[92] 1926 Act, S. 6.

but also to "effect such standardisation of frequency as the Board with the approval of the Electricity Commissioners may think expedient."[93] Undertakers are repaid the cost of standardisation and advanced the necessary funds free of interest by the Board.

During the period of construction of the grid, the C.E.B. may make temporary arrangements for purchase and sale of energy in accordance with the provisions of each scheme. Upon its completion, however, mutual obligations are prescribed governing the Board's relationship with selected station owners on the one hand and authorised distributors in general on the other. These provisions are intended to have permanent effect, and for the future, therefore, constitute the more important part of the Act.

Selected station owners are required:[94]

(a) to operate the station so as to generate such quantity of electricity, at such rates of output, and at such times as the Board may direct, and to conduct such operations with due regard to economy and efficiency;

(b) to sell to the Board all electricity generated at the station at such price as is hereinafter mentioned.

The price paid by the Board is "cost of production," including operating charges (fuel and stores, salaries and wages, pensions etc., repairs and maintenance, and a proportion of management costs); rents, rates, taxes, and insurance; interest on capital and working capital; and an allowance for depreciation. In the case of local authorities and Joint Authorities interest is calculated at the average rate paid on their securities and depreciation on the actual sinking fund charges. It was less simple to deal with private companies having dividend-bearing stock and no sinking funds. They are paid at the average rate of combined interest and dividends during the preceding year, but not less than 5 nor more than 6½ per cent, while depreciation is calculated on a special scale fixed by the Commissioners, with Parliamentary sanction.[95] In return, selected station owners may demand to be supplied back with energy, to an amount not exceeding that generated at their own stations, either at cost of production as above defined, adjusted ac-

[93] 1926 Act, S. 9(1).

[94] *Ibid.*, S. 7.

[95] Scale of Depreciation (Cost of Production at Certain Selected Generating Stations) Special Order, 1931, S.R.&.O., 1931, No. 701.

cording to load and power factors of the supply,[96] plus a proportion of the Board's administrative expenses (estimated to average 0.06d. per unit or about 10 per cent), or at the grid tariff for authorised undertakers in general, whichever is lower. Additional supplies can be taken in the usual manner at the regular tariff. Moreover, if the owners can prove to the Commissioners that in the absence of the Act of 1926 they could themselves have generated energy at a cost lower than the Board's price under either above alternative, they may pay merely that lower price.[97] Finally, a price may be settled by agreement with the Board.[98]

With this triple option, selected station owners are very happily situated. Those with inefficient stations enjoy the benefits of the grid by buying at the regular tariff; moderately efficient ones find their own cost plus C.E.B. expenses more desirable; and in cases where the prior existence of an interconnection system on a small scale or repurchase of most of the current generated by the same undertaker for distribution prevents the new grid from having any substantial effect they can be relieved of any share in grid expenses. Their capital charges are guaranteed and no selected station may lose its status without its owner's consent.[99]

As the legislation was originally conceived, all non-selected stations were expected to be closed down as soon as possible.[100] As soon as the Board gives notice of commencement of general trading in any area it is under obligation to supply all authorised undertakers with any quantity of energy demanded at the grid tariff price, the nature of which will be discussed below.[101] The Board may make it a condition of any supply to a non-selected

[96] Under the Electricity (Adjustment of Price according to Power Factor) Regulations, 1929, of the Electricity Commissioners, S.R.&O., 1929, No. 1016. M. G. de Chazeau, who has made a careful study of the C.E.B. pricing provisions, approves the method of power factor correction, but criticises the method of load factor correction as making possible considerable uneconomic gains or losses to the Board. Cf. de Chazeau, "The Rationalization of Electricity Supply in Great Britain," in 10 *Journal of Land and Public Utility Economics* (Chicago) 254–67 and 365–90 (Aug. and Nov., 1934), at pp. 367–8.

[97] 1926 Act, S. 13.

[98] *Ibid.*, S. 7(3).

[99] *Ibid.*, proviso to S. 4(5).

[100] Except for stations ancillary to other enterprises, producing electricity with waste heat. The Act, S. 23(1), provided for the purchase by agreement of such electricity by the Board.

[101] 1926 Act, S. 10.

station owner that he take from the grid the entire supply required for his undertaking. The use of grid supply for uneconomic peak load purposes only while the undertaker continues to generate the base load, wherever such division would be against the general interest, is thus prevented. Similarly, even if the station owner fails to approach the Board in the first instance, as long as the Board notifies him that it is in a position to supply his undertaking the Commissioners may require the station to be closed down.[102] Both these powers, however, are subject to an important limitation, namely that it be shown to the Commissioners that the cost per unit if taken from the Board will for seven years be less than the undertaker's own cost, *without taking into account his capital charges.* In effect, therefore, they may not be used unless the Board's price, including capital costs, is lower than the bare operating costs of the station owner. From the view-point of the undertaker, since he must pay capital charges even if his station is closed, this provision is only fair, but from the broader view-point it perpetuates inefficient generation. The comparison should be made between the operating costs of the two, since once the grid is constructed both sets of capital costs are in any case inevitable.[103] The grid would then almost always be the lower, as the station should otherwise have been selected, and compensation could be given the undertaker by having the Board take over his capital charges and amortise them as quickly as possible. This defect in the Act sacrifices optimum technical efficiency to the dogmatic principle that the C.E.B. should in no case itself generate electricity. Had the stations of all authorised undertakers, selected and non-selected, been taken over, less efficient units could have been closed and their capital paid off without hindrance.

A very brief experience of general trading under the 1926 Act has shown that its provisions determining the relations between non-selected stations and the Board are unsatisfactory in several respects. Its terms would result in closing down voluntarily or, if necessary, compulsorily, very inefficient units of which the operating costs alone were well above the grid tariff, while leaving those with lower operating costs, no matter what their total costs, entirely out of the grid system. It was clearly to the general interest

[102] 1926 Act, S. 14(1).
[103] Cf. G. H., *op. cit.*, p. 24, and de Chazeau, *op. cit.*, pp. 378–9.

in such cases that arrangements be made for generation by the stations under the Board's control, as with selected stations, for the remainder of their economic lives.[104] Furthermore, there were sometimes non-economic reasons sufficiently powerful to make it advisable for the Board to keep a generating station open even if it were run only for very short periods. Municipal pride, desire to retain an engineer, or a feeling that status and prestige would be sacrificed by the loss of its generating station might persuade an undertaking to decline supplies from the grid. Exercise of compulsion might alienate the good will of a local authority from the C.E.B. in particular and from the use of electricity in general, possibly even turning it to the support of gas or some other competing form of energy. Maximum realisation of the potential demand for electricity is so essential to the technical and commercial success of the grid that the Board cannot afford even the risk of such alienation. As a result, the compulsory powers have never been exercised, the Board preferring instead to make amicable agreements bringing the stations into the general system and running them only at times of maximum peak, as on winter afternoons. Finally, in certain instances the advantage to the grid of the diversity factor or other special characteristic of the load possessed by some non-selected stations may make desirable its transference to selected stations, closing down the plant, even if inducement must be offered in the form of a price well below the grid tariff.[105]

In these three classes of cases the C.E.B. found it wise to enter into special agreements with the undertakers concerned. Early in 1934 the legality of such agreements came into question, and at the Board's instance they were given retrospective sanction in the 1935 Act. The C.E.B. may now make voluntary arrangements with non-selected station owners for the control or discontinuance of the stations, including terms of purchase and sale of energy, provided that the Commissioners are satisfied that they will result in neither financial loss to the Board nor substantial prejudice to other authorised undertakers.[106]

[104] *C.E.B., 8th Annual Report, 1935*, p. 13; 91 H. L. Deb. 5s. 542 (12 April 1934).

[105] Cf. Lord Falmouth's explanation of the Wimbledon arrangements, at 91 H. L. Deb. 5s. 563 (12 April 1934).

[106] 1935 Act, S. 1.

A further highly significant power granted the C.E.B. by this Act permits it under similar restraints to make special terms to distributors below the grid tariff price for supplies to be passed on to consumers with electrical needs " of an exceptional nature." [107] This provision too served to legalise a doubtful clause which had been inserted in each of the C.E.B.'s published tariffs.[108] Its primary object is to bring in large industrial power consumers on terms which may fail to cover a full proportion of capital charges but whom because of improved load factor and partial contribution to overhead costs it is desirable to have supplied from the grid rather than from private generating plant. In effect it authorises the C.E.B. to canvass for large consumers on its own account, although the actual supply must still be made through an authorised distributor.[109] It is a constitutional reflection of the important part played by development work on the distribution side among the activities of the Board, and not improbably constitutes the first step towards an admission that the cleavage sought to be drawn between production and other functions in the supply of electricity is ultimately impracticable.

In the light of these modifications the defects of the Act of 1926 are thrown into sharp relief. The complex relations among various groups of undertakers and the C.E.B. which it attempted to establish were too rigid to fit into reality, because of both the ubiquity of special circumstances and the frequent need to take into account non-economic factors. In some cases it prescribed hypothetical comparisons which were in practice extremely difficult to make. Lord Haldane had accurately applied to it the famous description of a deed as " something difficult to read, impossible to understand, and disgusting to touch." [110] The Act of 1935 endows the Board with more flexible authority, far better suited to its position, but with no corresponding grant of compulsory power. It must depend solely on the bargaining lever afforded by the existence of the grid, part control of selected stations, and the co-operative spirit of the industry.

[107] 1935 Act, S. 2.

[108] Cf. the Tariff for Mid-East England, reproduced in *C.E.B., 5th Annual Report, 1932,* at p. 47, and the other tariffs as published separately by the Board.

[109] 295 H. C. Deb. 5s. 1030 (29 November 1934) and 1660 (5 December 1934).

[110] 65 H. L. Deb. 5s. 755 (23 Nov. 1926).

Limited though the C.E.B. is by its organic statutes, it remains a body with power to determine highly important matters of social policy. As in the case of other public corporations established by Parliament, certain means of control are retained in the hand of the legislature and others are given the appropriate Minister. The C.E.B. is in addition in some matters subject to the special supervisory body for the industry, the Electricity Commissioners. Finally, in the interests of authorised undertakers, there is provision in many cases for appeal to a specially appointed arbitrator, who may modify the Board's decisions. In so far as such restrictions affect C.E.B. finance they are considered in the following section.

Direct Parliamentary control is a corollary of the limited terms in which the Board is granted its statutory powers. It is not so severely confined as to necessitate frequent application for changes in the law; the most important modifications desired by it were carried through Parliament in 1935 in the form of a Public Bill, on the Government's responsibility. Since over £50,000,000 are now invested in its enterprise, the legislature could hardly resist demands for further powers which the C.E.B. claimed as essential to its purposes. Parliamentary approval is also required for certain Special Orders concerning the Board, made in the first instance by the Minister of Transport or the Commissioners,[111] but they deal for the most part with the constructional stages, rather than with operation of the grid. While the procedure is not purely nominal, the eight orders so far made have all received Parliamentary sanction without delay.

Discussion of the C.E.B. on the floor of the House of Commons is very infrequent. It is notable that owing to its complete autonomy in regard to sources of revenue, the Board may not be discussed on the annual Ministry of Transport Vote.[112] The remaining opportunities for discussion are on a Private Member's motion, which has never been used, on the Adjournment, used only once,[113] and at question time. In any of these cases the Minister of Transport is spokesman for and defender of the Board. On the whole, in contrast to the attitude taken toward the Commissioners,

[111] 1926 Act, SS. 5(2), 6(2), 20(2), 21(1), and 21(4).

[112] Ruling of Sir Dennis Herbert, Chairman of Committees, at 265 H. C. Deb. 5s. 1449 (6 May 1932).

[113] To consider the Board's finances. 304 H. C. Deb. 5s. 1181–90 (17 July 1935).

successive Ministers have shown a marked desire to leave the C.E.B. undisturbed in its ordinary operations, reducing Parliamentary supervision to a minimum. Mr. Hore-Belisha recently stated the general policy in these terms: [114]

> It is surely inherent in the philosophy of instituting great public boards to administer public utilities that we should give those boards something approximating to the business latitude which is allowed to ordinary boards in conducting private business. If every step that they take is to be looked on with lack of confidence, and if it is to be suggested that their day-to-day transactions are to be closely scrutinised. . . , their capacity to bring about the public good for which we look to them will be severely hampered. The Central Electricity Board is not a profit-making concern. It has a single-minded purpose and a sole duty of guarding the common interest.

In keeping with this principle, Ministers have consistently refused to divulge information about the Board beyond that published in the Annual Reports and Accounts in reply to questions in the House. Thus, while full answers have been made concerning matters within the Minister's own discretion, like salaries of C.E.B. members, action on applications for wayleaves, and preservation of rural amenities in placing lines,[115] questions on the remuneration of the Board's staff or advisers, the number of meetings held by the Board, its relations with other authorised undertakers either in approving or carrying out a scheme, placing of contracts, and financial details other than those made public by the Board itself, are parried with the reply " I have no information on the point " or " This matter is one within the discretion of the Central Electricity Board." [116] Simple matters of fact like the total value of contracts so far placed or mileage of completed grid lines have sometimes been supplied in advance of their general

[114] 295 H. C. Deb. 5s. 1132 (29 November 1934).

[115] Thus at 202 H. C. Deb. 5s. 752 (15 February, 1927); 255 H. C. Deb. 5s. 448–9 (15 July 1931); 261 H. C. Deb. 5s. 1827–8 (18 February, 1932); 219 H. C. Deb. 5s. 2233–34 (11 November, 1928); 278 H. C. Deb. 5s. 1092 (24 May 1933).

[116] Thus at 262 H. C. Deb. 5s. 385–6 (24 February, 1932); 270 H. C. Deb. 5s. 1138 (16 November, 1932); 209 H. C. Deb. 5s. 400–1 (20 July 1927); 210 H. C. Deb. 5s. 392–3 (10 November, 1927); 211 H. C. Deb. 5s. 2086 (13 February, 1927); 213 H. C. Deb. 5s. 711 (14 February, 1928); 204 H. C. Deb. 5s. 1907 (5 April 1927); 211 H. C. Deb. 5s. 2103–4 (13 December, 1927); 299 H. C. Deb. 5s. 1191 (27 March 1935).

publication, preceded with some such phrase as " I am informed by the C.E.B. that," [117] but in only a single instance has a Ministerial answer surpassed the scope of the published information, when a general average figure was given for the gross revenue per unit of electricity sold by the Board during 1934.[118]

The most important aspects of Departmental, as opposed to either Parliamentary or Commission control, are in relation to finance. Certain powers in addition inhere in the Minister in connection with overhead lines and wayleaves by virtue of legislation prior to 1926, to which the C.E.B. must in general conform like other authorised undertakers.[119] In 600 cases out of the 21,000 required for the entire grid the Board found it necessary to apply to the Minister for power compulsorily to acquire wayleaves. After local inquiries into the circumstances, consent was refused in three instances.[120] However important, these powers affect only the transitory functions of the Board. The one important permanent power of a non-financial nature requires Departmental consent in each case of direct supply by the C.E.B. to railway companies for purposes other than traction.[121] The form of the Board's public annual report, finally, is prescribed by the Minister.[122]

Neither Parliament nor the Minister, therefore, can be said to exercise any real continuing control or supervision over the C.E.B. This function has been placed in the hands of the Electricity Commissioners. The curious mixture of relationships which characterises the position of the Commissioners vis-a-vis the Board is largely a result of historical circumstances prior to the latter's establishment. The Commissioners were set up to serve as a supervisory and fact-finding authority for the industry as a whole and a co-ordinating body for Joint Electricity Authorities in particular. When the failure of the 1919 legislation necessitated a new central executive authority appointed from above, it was felt that regulatory powers must be provided to safeguard the interests of existing enterprise. These functions were simply added to those

[117] As at 220 H. C. Deb. 5s. 1081 (24 July 1928); 223 H. C. Deb. 5s. 2843 (18 December 1928); 239 H. C. Deb. 5s. 2555 (6 June 1930).

[118] 304 H. C. Deb. 5s. 23–4 (8 July 1935).

[119] 1926 Act, SS. 18(1), 20.

[120] *C.E.B., 5th Annual Report, 1932*, p. 53; *Electricity Commissioners, 11th Annual Report, 1930–31*, Par. 399; *12th Annual Report, 1931–32*, p. 53.

[121] 1935 Act, proviso to S. 4(2).

[122] 1926 Act, S. 25.

previously exercised by the Commissioners. As a result, they are related to the C.E.B. in three distinguishable ways: (1) as to ordinary undertakings in general, (2) as special technical advisers to the Board, and (3) as a regulatory body, sometimes acting quasi-judicially, governing the interrelations of the Board with other undertakings, landowners, and interested parties.

The C.E.B. is specifically declared to be included among "undertakers and authorised undertakers within the meaning of the Electricity (Supply) Acts, 1882 to 1922," and consents and approvals when required under those Acts also apply to the Board.[123] Since the purpose of these provisions was to ensure that development was in accordance with national rather than parochial interests, the C.E.B., as the one nation-wide undertaker with only broad interests in view, has not been in any way constrained by them. The outstanding function of the Commissioners as the Board's technical advisers is in preparing grid schemes in the first instance. In the 1926 Bill as originally framed they were merely to approve or, if necessary, to revise schemes submitted by the Board. The proximate ground for the transposition appears to have been a concession by the Government to the desire of private interests to have an opportunity for representations on the schemes to the executive Board itself.[124] It was in any case justified by the unparalleled technical competence of the Commissioners, who had done a good deal of preliminary spade work in determining electricity districts under the 1919 Act and had made a special survey immediately subsequent to the Weir Committee's Report in 1925.[125] The Board was expected to be a predominantly commercial body, with fewer engineering qualifications than has in practice been the case, better suited to administering a technical scheme drawn up by experts than to initiating one itself. Amending schemes follow a similar procedure in form, although in practice the C.E.B. has naturally been the originator of the only three so far adopted. Extensions and alterations of generating stations, and standardisation of frequency not specifically provided for in

[123] 1926 Act, SS. 20(1) and 18(1). The Electric Lighting (Clauses) Act, 1899, 62 & 63 Vict., Ch. 19, is applied to the C.E.B. with the exceptions set forth in the Electric Lighting (Clauses) Act 1899 (Application to Central Electricity Board) Regulations, 1927, made by the Commissioners, S.R.&.O., 1927, No. 1144.

[124] *Standing Committee C, 1926*, cols. 316–17 (8 June).

[125] 202 H. C. Deb. 5s. 1160–3 (17 February 1927).

the schemes, however, are even nominally directed in the first place by the Board, but must receive the Commissioners' approval. On the whole, the two bodies have worked together in initiating the grid with a minimum of friction.

Conditions to the Board's freedom of operation in its relations with authorised distributors, owners of stations, and other interests are extremely numerous.[126] The Commissioners must be satisfied that no existing undertaker can be found to construct a new selected station, or to operate one whether existing or new, before the Board itself may carry out these functions. They are not to authorise compulsory acquisition of land for transmission lines unless satisfied that wayleaves are unobtainable. Their consent is required for direct supply by the Board for power purposes in unoccupied areas. Again, they may permit the Board to supply direct to a railway within the area of a selected station owner, or to distributors in general within a power company area, if they consider the withholding of the appropriate consent by the undertaker to be unreasonable. All agreements with non-selected station owners and with authorised distributors under the Act of 1935 must satisfy them that they result in neither financial loss to the Board nor substantial prejudice to other undertakers, while supplies by the Board to railways are similarly qualified with respect to financial loss.

The foregoing provisions are for the most part discretionary limitations on the C.E.B.'s positive powers, designed to secure other undertakings against "unfair" competition. In addition, detailed application of the provisions for purchase and sale of energy by the Board is in each case subject at some point to regulation by the Commissioners.[127] They determine scales of depreciation for company plant in calculating "cost of production" at selected stations, fix load and power factor correction formulae where necessary, and allocate costs between fixed and running charges. They must approve the principles upon which grid tariffs are drawn up. Where the Act provides for comparisons between actual costs and hypothetical costs in the absence of the C.E.B., estimates of the latter must be approved by the Commissioners. Power to order compulsory discontinuance of non-selected stations

[126] 1926 Act, SS. 5(3), 6(2)(3), 10(1)(a), 20(3)(b), 21(1); 1935 Act, SS. 1(1)(2), 2(1), 4(1)(3).

[127] *Ibid.*, SS. 10(2), 11(2), 13, 14(1), 51(4), 2nd Sch. (7)(ii), 7th Sch.

is in their hands, subject to the conditions concerning comparative costs which have already been described. In cases where the Board represents to them that provision of transmission lines for a particular supply demanded by an authorised distributor would be unreasonably expensive, they may permit imposition of special terms. They exercise, in conclusion, certain purely arbitral or quasi-judicial functions concerning disputes between the Board and owners of stations.[128]

No single question occupied more time in Standing Committee in 1926 than that of constituting a special appeal tribunal over the C.E.B. Defenders of both private companies and municipalities were convinced that appeals from the Board to the Commissioners were unsatisfactory, apparently on the assumption that since both were appointed by the Minister justice would be unobtainable.[129] The outcome was provision for arbitration by a barrister qualified for judicial office, appointed by the Minister from a panel to be set up by the Lord Chancellor (in Scotland the Lord President of the Court of Session), who might hear cases with the aid of technically qualified assessors.[130] Authorised undertakers affected by projected grid schemes could appeal to this tribunal, which might order financial compensation or amendment to the scheme, but subject to the following proviso to protect the general interest:

> Provided that the arbitrator shall not grant any relief other than pecuniary compensation in any case where the Board certify that the grant of such relief would conflict with the basic principles of the scheme or would prejudicially affect the efficiency of the scheme.

The same tribunal was to hear objections by selected station owners to the Board's requirements for extensions or alterations in their stations, questions of comparative costs of electricity from the grid and non-selected stations, and appeals on proper compensation for compulsory acquisition of generating stations or transmission lines, as well as two cases of alternative jurisdiction with the Commissioners.[131] In general technical appeals were supposed

[128] 1926 Act, SS. 7(6), 9(4), 10(3)(b).

[129] Cf. 193 H. C. Deb. 5s. 1737 (29 March 1926); *Standing Committee C, 1926*, col. 28 (27 April).

[130] 1926 Act, S. 4.

[131] *Ibid.*, SS. 5(1), 14(2), 1st Sch.

to go to the Commissioners and financial appeals to the barrister,[132] but the principle was not consistently carried out.

There is no doubt that the interests desiring protection against the Board fully achieved their object. As one commentator remarked at the time:

> The business of co-ordinating electricity supply in this country depends wholly on the power of the Board to preserve and maintain the goodwill of the authorised undertakers, or, failing that, a barrister assisted by one or more assessors will virtually take over their duties.[133]

The event has proved this judgment accurate. The C.E.B. has chosen the former alternative, succeeding by constant readiness to negotiate concessions and compromises in avoiding any recourse to arbitration whatsoever. At the same time, the Commissioners have not shown themselves biassed in the Board's favour. Hearings before them, where cases are argued by counsel with all the formality of a court of law, have been considered eminently satisfactory.[134] Applications by the Board for Special Orders are followed by the most thorough investigation, sometimes resulting in adverse judgments.[135] Many of the fears expressed in 1926 were unfounded; the Commissioners are in fact an adequate quasi-judicial tribunal.

A body of Electricity Commissioners hostile to the C.E.B. might easily have vitiated the spirit of the Act of 1926. In practice cordial co-operation has been the rule, whether in preparation of schemes or in furtherance of general electrical development. Taken in their entirety the relations between these two bodies form a unique example of control over a public corporation combining non-political supervision with ultimate responsibility to Parliament. It may be that legal appeals from the Board's actions would be better handled by a full-fledged administrative court, removing the anomaly which permits the same authority to serve at one time as the technical adviser to a board over which at

[132] *Standing Committee C, 1926*, col. 866 (28 June).

[133] 103 *The Economist* 455–6 (18 September 1926). Cf. also Kennedy, *op. cit.*, p. 17.

[134] D. M. French, *The Relations of the State to Electricity Supply Undertakings in Great Britain and Germany* (Thesis for B. Litt., Oxford, 1934, unpublished), pp. 26–7.

[135] *Electricity Commissioners, 11th Annual Report, 1930–31*, Par. 236, p. 59, gives an example.

another time it sits as judge. Nevertheless, where any public enterprise is set in a maze of interrelated private and local interests, various technical functions in filling necessary and desirable gaps in legislation would remain for a further impartial authority. The combination of technical and administrative qualifications which characterises the present membership of the Commission seems ideally fitted to this task, and may serve as a model for authorities co-ordinating other services on a nation-wide scale.[136]

Despite the welter of restraining and regulating powers exercised over the C.E.B. by these various authorities, it remains in essence an independent enterprise, operating within a very broad legal area at its own discretion. In constructing the grid, in day-to-day control of generation, and in initiating new agreements expanding its field of activities, the Board is left to itself. "I think," said a Government spokesman recently, "that the House, realising that the Central Electricity Board is composed of business men, would be wise to allow them to carry out the powers granted by Parliament."[137] It remains to consider the financial resources enabling them to be carried out, and the manner in which the Board has in fact administered them.

3. *Financing the Grid*

Autonomy is the keynote of the C.E.B.'s financial arrangements. A variety of Governmental restraints on the one hand and a modicum of State assistance on the other detract in no essential from this principle. The Board is given control over an aspect of economic life which it must manage as an entrepreneur in the open market, paying its way through the economies it achieves. Some economies directly due to the grid, indeed, in particular reduction in spare plant, do not fully enter the Board's accounts; from the broadest view-point, therefore, it must save the consumer far more than its own costs in order to attain nominal financial success. Like the P.L.A., its quasi-monopoly over an important service, including complete monopoly of most of the high tension transmission system and partial control of selected gen-

[136] This possibility is particularly pertinent in regard to transport co-ordination.
[137] 304 H. C. Deb. 5s. 1188 (17 July 1935).

erating stations, allows it a margin within which it may arrange its operations at discretion. So numerous and far-reaching are the safeguards ensuring its consumers against loss on account of the grid, however, that the margin is in this case relatively small. As a public corporation, needless to say, it is non-profit making. Savings must be passed on to authorised distributors, power companies, and Joint Electricity Authorities using the grid.

The Board's borrowing powers are subject to regulations made by the Minister of Transport with the approval of the Treasury.[138] Separate consents for each borrowing must be obtained from the Commissioners. Money may be temporarily raised through overdrafts or bank loans, and for short terms through bonds, but the chief method is through creation of Central Electricity Stock, which must be redeemable and bear fixed interest. It is not a trustee security. The amount, price, and rate of interest are at the Board's discretion, but the proposed redemption period must receive the Minister's approval. All borrowed money must be repaid within periods determined by the Commissioners in accordance with the life of the corresponding assets, but not exceeding sixty years. Sinking funds are established for purposes of redemption, payments into which may be suspended while the expenditure remains unremunerative, but not more than five years. In addition, interest may be capitalised during a similar period, determined by Commissioners and Treasury without statutory limit. In case of default on principal or interest for three months the creditor may apply to the High Court for appointment of a receiver, who is not only to " have like power of collecting, receiving, recovering and applying money as the Board would have had," but also " such other powers and duties as the Court thinks fit." [139] The stockholder is thus more thoroughly protected than in the case of the P.L.A.

A highly controversial section in the Act of 1926 permits a Treasury guarantee of either principal or interest, or both, on C.E.B. loans up to £33,500,000.[140] Under the Minister's Regulations special supervisory powers were given in respect of any such guarantee:

[138] 1926 Act, SS. 27, 28; The Central Electricity Borrowing Regulations, 1928, S.R.&O., 1928, No. 466.

[139] Borrowing Regulations, Regs. 56–7.

[140] 1926 Act, S. 29.

No security shall be issued or granted as a security in respect of which the payment of the principal and interest or the principal or interest is guaranteed by the Treasury until the amount, price, rate of interest, date and method of issue and redemption of such security, the arrangements for the application of the proceeds of the issue, for the repayment of the proceeds and for the provision applications and management of and Redemption Fund in respect of such security have been approved by the Minister after consultation with the Treasury, and no variation of any such arrangements shall be made without the like approval.[141]

In practice, the Board has never availed itself of this power.

Purposes for which the C.E.B. may borrow are limited to (a) construction or acquisition of main transmission lines, generating stations, and other grid plant, (b) "any other payment or any permanent work or thing . . . , the cost of which ought, in the opinion of the Electricity Commissioners, to be spread over a term of years," of which the outstanding example is standardisation of frequency, (c) working capital, and (d) other purposes provided in the Act. A maximum limit of £33,500,000 was set in 1926, subject to increase by Special Order made by the Commissioners with the approval of the Minister and affirmative resolution by both Houses of Parliament.

This sum was based on the Weir Committee's estimates[142] of the costs of grid construction and standardisation of frequency. It is notable that no margin was included for acquisition of generating stations, a clear indication that the ultimate compulsory authority was not to be used. Three years' experience proved the Weir estimate for standardisation entirely inadequate, due for the most part to an increase in the amount of non-standard plant between 1924 and 1928, when alterations were commenced. In 1930 the Board and Commissioners agreed in revising the estimated net cost of standardisation upwards from £8,000,000 to £16,300,000.[143] The borrowing powers were then raised to £50,000,000,[144] and further increased to £60,000,000 in 1933, to provide for working capital, extensions, capitalisation of interest, and the cost of rais-

[141] Borrowing Regulations, Reg. 61.

[142] *Weir Report*, Pars. 81(a) and 90.

[143] *Electricity Commissioners, 11th Annual Report, 1930–31*, p. 55.

[144] Central Electricity Board (Increase of Borrowing Powers) Special Order, 1930. Not included among the Statutory Rules and Orders.

ing loans.[145] An important factor contributing to these increased needs was the heavy discount at which all Central Electricity Stock had been issued.[146] In neither case were representations lodged against the draft Orders or objections raised by the Treasury, which was specially consulted. The limitation might prevent a flagrant misuse of borrowing powers for non-productive purposes, but the C.E.B. seems assured of increased authority whenever it can show legitimate cause.

Up to the present, all C.E.B. capital, with the exception of temporary advances from the Bank of England to carry it through the first two years, has been obtained by means of Stock.[147] The various issues are as follows:

Date of Issue	Amount £	Int. Rate %	Period of Redemption	Price of Issue	Yield at Issue * £. s. d.	Purpose of Issue: General Purposes £	Purpose of Issue: Standardisation of Frequency £
24/5/29	3,000,000	4	1959/89	83	4 17 5	2,400,000	600,000
24/1/30	7,000,000	5	1950/70	97½	5 3 0		
9/10/31	1,000,000	5	1950/70	†			
16/10/31	1,000,000	5	1950/70	†	5 7 6	7,150,000	2,850,000
10/11/31	1,000,000	5	1950/70	†			
21/11/30	6,000,000	4½	1951/73	95½	4 15 5	4,620,000	1,380,000
1/11/30	7,000,000	5	1955/75	95	5 5 11	4,725,000	2,275,000
10/6/32	10,000,000	4½	1957/82	96	4 14 0	7,000,000	3,000,000
7/6/33	8,000,000	3½	1963/93	93½	3 15 2	5,200,000	2,800,000
17/10/34	6,000,000	3½	1974/94	93	3 10 5	3,300,000	2,700,000
12/3/36	3,500,000	3½	1974/94	100	3 5 0	1,500,000	2,000,000
Total	53,500,000	Average yield:			4 6 10	35,895,000	17,605,000

* Calculated on redemption at the latest date.
† Privately placed, at an average discount of slightly over 6 per cent.

All issues rank *pari passu* with one another.

The terms on which the C.E.B. has obtained funds have at times been the object of severe criticism.[148] Early experience was not too happy, for despite the general similarity of the security to

[145] Central Electricity Board (Increase of Borrowing Powers) Special Order, 1933. Cf. *Electricity Commissioners, 14th Annual Report, 1933–34*, pp. 60–1.

[146] 118 *The Economist* 859–61 (21 April 1934).

[147] Data concerning the Board's finances are taken from the *Annual Statements of Accounts*, published in addition to and separately from the Annual Reports, by Messrs. Whitehead Morris, Ltd., London.

[148] 295 H. C. Deb. 5s. 1050–8 (29 November 1934); 116 *The Economist* 851–2 (22 April 1933); 118 *Ibid.* 1320 (16 June 1934).

that of other public boards and municipalities of high standing, and the relatively high rate of interest, no less than 92 per cent of its second issue was left in the hands of the underwriters.[149] At one time, too, there was some doubt as to the Board's ability to pay its way without a very large increase in the general demand for electricity.[150] It could not be expected that a Board beginning its career with no assets whatever, and budgeting for a ten-year period on estimates with a necessary degree of uncertainty, could command the same confidence as, say, the P.L.A. On the other hand, there has been a widespread and probably justified assumption that despite its decision not to use the formal Treasury guarantee, the C.E.B. would be supported by the Government in the event of financial stringency.[151] Particular doubt as to the wisdom with which the Board has been advised surrounds the circumstance that almost one third of the total so far borrowed was floated in the first half of 1932, yielding an average return to the holders of £4 18s. 11d. per cent, when war loan conversion operations, with a concomitant general fall in interest rates, were commonly known to be impending. It is estimated[152] that an extra burden of £225,000 was thus imposed on the Board in respect of the grid alone (excluding standardisation, the costs of which are repaid by the Commissioners), a very considerable sum in a total interest charge of £1,600,000. The redemption periods, moreover, are so fixed that no reduction can be effected before 1950. Finally, the conditions in the money market appear to have been badly judged on several occasions, for of the issues of February, 1932, and of 1933, 85 and 58 per cent respectively were left with the underwriters,[153] while those of June, 1932, of 1934, and of 1936 were heavily oversubscribed.[154]

The nominal financial advisers of the C.E.B. are the Minister, the Commissioners, the Treasury, and the Bank of England. In

[149] 110 *The Economist,* 248 (1 February 1930).

[150] 118 *Ibid.* 860 (21 April 1934); 33 *Electrical Industries and Investments* 1930 (20 December 1933).

[151] 118 *The Economist* 1320 (16 June 1934); 92 H. L. Deb. 5s. 331 (14 May 1934).

[152] 118 *The Economist* 1320 (16 June 1934).

[153] 32 *Electrical Industries and Investments* 227 (10 February 1932); 33 *Ibid.* 1927 (14 June 1933).

[154] 32 *Ibid.* 966 (15 June 1932); City Notes, *The Times,* 23 October 1934; *Ibid.,* 15 February 1936.

fact, the last-mentioned institution exercises a dominant influence. It has been noted that both Mr. Whigham, the member of the Board especially appointed as a financial expert, and Sir Andrew Duncan, Chairman until the end of 1934, hold directorships of the Bank. Refusal to utilise the Treasury guarantee has been explained on the ground of preventing political interference and retaining unimpaired the independent status of the Board,[155] but is probably due as much to the desire of the Treasury itself not to be associated with the undertaking, and to leave its financial supervision to the Bank, as to any positive policy on the Board's part. It is by no means certain that a Treasury guarantee would involve close control over any C.E.B. activities beyond the actual issue of stock as provided in the Regulation quoted above, so long as it was not called upon to make good a default. If the same degree of control is to be exercised by Bank or Treasury, the latter may be preferred on account of provision for ultimate publicity and criticism, while public criticism of the former is ineffective because unanswered.[156] The adoption of a questionable policy has reduced the grid's savings to the electrical supply industry, and through it to the consumer, by some £375,000 a year,[157] in exchange for a striking illustration of the contrast between a public corporation and a Government Department. Use of the Treasury guarantee for further issues at this point would probably reflect unfavourably upon the standing of unguaranteed stocks already on the market.

Capital expenditure up to the end of 1936 amounted to about £53,100,000, of which £16,700,000 was for standardisation of frequency. Of the remaining sum, no less than £8,000,000 went to unproductive expenditure, including costs of issue and discounts, and capitalisation of interest. The latter is in keeping with two principles at the bottom of C.E.B. financing. During the five-year period of initial construction, roughly 1928 to 1933, the grid was almost entirely unremunerative,[158] while owing to the rapidly

[155] G. H., *op. cit.*, pp. 27–8.

[156] Thus with the criticism expressed in Parliament in 1934, 295 H. C. Deb. 5s. 1050–58 (29 November 1934).

[157] Assuming an average loss of ¾ per cent through failure to use the Treasury guarantee.

[158] There was in fact a certain amount of trading under temporary arrangements preliminary to the commencement of general trading. It reached its height

expanding character of the industry, the plant would not be fully used for several years even after the commencement of general trading. The Board was therefore justified in budgeting for deficits at the beginning of that period and further charging interest to capital until a greater return had been received on the expenditure. Capitalisation of interest has been authorised by the Commissioners for seven to eight years, limited to that proportion of Central Electricity Stock allocated to purposes other than standardisation.[159] In 1935 over £1,380,000 of interest charges were so treated. Similar authorisation was granted for postponement of sinking fund payments, but owing to the statutory time limitation appropriate contributions must be made after five years even if the expenditure is not yet remunerative. The first such payments, in respect of the earliest borrowings, fell due in 1933, but amounted to only £250,000 by the end of 1936.

On borrowings allocated to standardisation of frequency, capital charges do not fall on the Board's general resources, but are repaid by the Commissioners out of the proceeds of a levy on sales of electricity (other than in bulk to other authorised undertakers) by all authorised undertakers and Joint Authorities in the country.[160] Interest and sinking fund payments are recovered from the Commissioners each year, and therefore form an automatically balancing set of items, which are separately stated, in the Board's accounts.

In carrying out certain portions of its work, the C.E.B. has received a substantial amount of financial assistance under the Development (Loan Guarantees and Grants) Act, 1929.[161] In the North East England Area, which contained the most highly developed system of supply in the country prior to the advent of the grid, most of the undertakings operated at the non-standard fre-

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in 1932, when £4,720,000 was taken in as gross revenue and £74,000 contributed from it to general administration expenses. Trading on this account was rapidly reduced as general trading began in successive areas and brought in a gross revenue in 1936 of only £220,000. Cf. Account No. 5(a) in the Annual Statements.

[159] *Electricity Commissioners, 9th Annual Report, 1928–29*, Par. 208; *10th Annual Report, 1929–30*, Par. 312; *11th Annual Report, 1930–31*, Par. 258; *12th Annual Report, 1931–32*, Pars. 323–4; *13th Annual Report, 1932–33*, Par. 312; *14th Annual Report, 1933–34*, Par. 293.

[160] 1926 Act, S. 9(3).

[161] 20 Geo. V, Ch. 7, S. 4.

quency of forty cycles. Although interconnection with the national system was not feasible without complete standardisation, the Board felt that the estimated cost of £9,000,000 would place too heavy a burden on the industry and retard general progress during the early years of the grid.[162] On application by the Board to the Unemployment Grants Committee, the Minister of Labour approved a grant toward the interest on £10,000,000 to be spent on the North East Scheme, including a small proportion for grid purposes proper. Again, in 1931, the Board felt itself unable for several years to assume alone the full burden of development in the sparsely populated South Scotland Area and accordingly applied for a further grant of interest on about £1,000,000, in order to facilitate the immediate construction of the grid in that region and in particular the running of supplementary transmission lines in rural sections.[163] The Galloway Water Power Company received concurrent assistance in constructing five selected stations in the western part of the area. By 1935 over £1,380,000 had been granted in this way, of which some £1,030,000 was for standardisation in the North East. This degree of aid hardly modifies the broad principle of C.E.B. financial autonomy, for similar assistance has been given many private undertakers on conditions only slightly less favourable than those to non-profit making public authorities.[164] The aid in South Scotland, moreover, was in no sense essential to the grid, but merely accelerated its completion, while that in North East England was necessitated by the purely chance misfortune of early non-standard development.

C.E.B. revenue is derived almost exclusively from sale of energy. Its customers may be divided into four classes: selected station owners, distributors owning non-selected stations, other authorised distributors, and railways supplied direct. The first group, it will be recalled, has the option of buying at grid tariff, cost of production plus a proportion of C.E.B. expenses, or hypothetical costs in the absence of the grid. For a few relatively inefficient selected stations the tariff has proved most economical, but the bulk of such stations, operating with improved load factors as a result of

[162] *C.E.B., 2nd Annual Report, 1929*, pp. 3–4.

[163] *C.E.B., 4th Annual Report, 1931*, pp. 11–12; *Electricity Commissioners, 12th Annual Report, 1931–32*, Pars. 330–4.

[164] *Statement of the Principal Measures taken by His Majesty's Government in connection with Unemployment*, Cmd. 3746 of 1930.

C.E.B. control and producing substantial quantities of energy for export to the grid, benefit by paying cost of production plus the Board's "on-costs." A number of owners of highly efficient stations like Barking and Battersea, used previously for base load in conjunction with smaller units under the same ownership, or stations otherwise utilising almost the whole of their own product, export too little to the grid to counterbalance C.E.B. "on-costs," and therefore adopt the third alternative as the basis of their purchases. While these provisions make loss to an undertaker impossible, they distribute grid benefits very unevenly. Thus a station now operated for the first time to supply base load, at greatly improved load factor, gains enormously by repurchasing distribution requirements at its own greatly reduced costs even with the addition of C.E.B. expenses, while one now used only for peak load must import energy beyond its own production at the higher grid tariff. All stations buying their requirements at costs in the absence of the grid lose nothing, but likewise gain nothing, from the existence of the C.E.B. Yet from the broadest view-point each makes its contribution to the grid, and the consumers of each should share in grid economies. This anomaly was officially recognised by the Board in 1934,[165] and remedied in the North West area by a voluntary agreement for pooling and redistributing to all selected station owners grid savings in the entire area.[166] Its extension to other areas is now under consideration.

It will be seen that selected stations buying at costs in the absence of the grid do not contribute their full proportion to C.E.B. capital charges. This is likewise the case with non-selected station owners purchasing from the grid at their own hypothetical costs in the absence of the 1926 Act. It is common practice to treat such undertakings joining the national system much like selected stations, either closing down the plant and supplying all their needs at tariff rates, with rebates in some cases to cover rights under the comparative costs provision, or running them as part of the grid system under special agreement. Twenty-seven such agreements are now in force.[167] Naturally, however, a larger proportion of these undertakings than of selected stations pays the full grid tariff. Other authorised distributors in general pay at tariff rate, but au-

[165] *C.E.B., 7th Annual Report, 1934,* p. 11.
[166] *9th Annual Report, 1936,* p. 17.
[167] *Ibid.,* p. 19.

thority under the Act of 1935 to quote special terms for supplies to be passed on to consumers with exceptional requirements is frequently used. Such terms also usually make only a partial contribution to the Board's overhead costs. The tariff remains the balancing factor, although it applies at present to only about one fifth of the energy sold by the C.E.B.

By statutory provision,[168] the tariff takes the familiar two-part form, including a fixed kilowatt charges component and a running charges component. In this way increased off-peak utilisation is encouraged. A fixed charge based on maximum demand of each undertaking for any hour in the year contains an element of injustice in failing to take account of diversity factor; thus a consumer with maximum demand falling at a time other than that of peak generation is charged equally with one whose maximum coincides with and helps to form the peak, although he plays no part in compelling provision of marginal generating equipment. In the case of the C.E.B. this possibility is relatively slight, since the actual maximum for most authorised distributors comes at more or less the same late afternoon in mid-winter.[169] Exceptionally situated undertakers might arrange special terms under the Act of 1935, for an off-peak maximum would almost certainly result from supplies to consumers with needs of "an exceptional nature."

Under the terms of the Act the tariff is to be so framed as to yield a revenue sufficient to cover expenditure, including capital charges, over a term of years and with such margin as the Commissioners may allow. Parliament thus specifically authorised budgeting over a long period on the expectation of large increases in demand, income at the end of the period paying all costs and compensating for early deficits as well.[170] The term of ten years has been approved in all areas in which general trading has begun.[171] Decreasing deficits are presumably to be expected for about

[168] 1926 Act, S. 11.

[169] For typical load curves cf. *Weir Report*, p. 34, and *Supplementary Particulars* published by the Commissioners with each grid Scheme. De Chazeau, *op. cit.*, p. 372, points out that in the long run, as incentive to off-peak development takes effect, there will be increased diversity and possibly even a summer peak for some undertakings.

[170] *C.E.B., 5th Annual Report, 1932*, p. 27.

[171] Except in the Central England Area, where since general trading began on 1st April 1934, instead of the beginning of the calendar year, the period was fixed at 9¾ years.

half this period, during which interest may be charged to capital, while gradually increasing surpluses should characterise the latter half. While framing the first tariffs in 1932 the Board made careful estimates of probable growth in demand. Prepared at the nadir of a general trade depression, these figures were considerably lower than those arrived at by the Commissioners when planning the original schemes, and it may be assumed that they were on an eminently conservative basis.

Allocation between fixed and running costs follows principles approved by the Commissioners. Each tariff includes a service charge for each grid supply point beyond the first, in addition to the two ordinary components.[172] The fixed charge is on a novel and ingenious basis, involving decreasing rates for " standard increments " beyond the " basic demand," taken as the undertaker's maximum demand during the year immediately preceding commencement of general trading. By varying the standard increment inversely with the size of the basic demand, the Board affords more incentive for development and treats undertakings at different stages of growth more equitably than under the more common block system.[173] On the other hand an undertaker covering a large area, with a correspondingly large basic demand, finds it easier to reach the lower rate blocks than one with a smaller area, even if the stage of development is identical for both. The running charge, averaging at about 0.2d. per unit, is corrected for variations in cost of fuel and varies from area to area in accordance with transmission costs. Thus South West England and South Wales, with its low population density, pays 0.225d., compared with 0.186d. in the more populous Mid East England Area. No strict effort is made to have each area pay its own grid costs, but the regions with smaller natural obstacles to cheap service must be offered sufficient inducement to adopt the tariff where an option is available.

The tariff level is said to " compare favourably with the average contract for the supply of electricity by undertakers." [174] The most

[172] The Mid East England tariff is reproduced in full in the Board's *5th Annual Report, 1932*, at pp. 43–7. The others follow the same form and are published separately by the Board. For a comparative table of tariffs, cf. *9th Annual Report, 1936*, p. 46.

[173] *5th Annual Report, 1932*, p. 28; De Chazeau, *op. cit.*, pp. 372–4.

[174] 115 *The Economist* 992 (26 November 1932).

thorough student of its form concludes that " it conceals the seeds of discrimination between large and small undertakings, it encourages an uneconomical paralleling of grid lines, and it may ultimately fail to cover overhead costs." [175] The third eventuality is no longer likely, and while the tariff contains defects which will become increasingly evident with the development of the nationally integrated system, it is unlikely that they will be remedied before expiry of the ten-year budget periods.

The chief item of working expenditure is of course for purchase of energy. Over 95 per cent comes from selected stations and is priced at " cost of production " under the terms of the Act, a figure over which the Board has no control. The remainder is supplied from non-selected stations under agreement, at prices limited by station owners' statutory rights on the one hand and the Commissioners' duty to prevent financial loss to the Board on the other. C.E.B. expenses in the narrower sense, for transmission, local rates, administration, and research amount to less than five per cent of the gross revenue. Capital charges were negligible until 1936, when they amounted to £1,380,000; they will rise by 1941 to about £2,250,000 annually on the grid proper.

General trading has been in force since 1933 in two of the eight areas, since 1934 in five, and since 1935 in six, counting South East and East England as one. It is by now possible, therefore, to come to a tentative conclusion concerning the C.E.B.'s financial outlook. The spread between revenue from sales of energy and the sum paid for its purchase (including cost of energy lost in transmission) amounted in 1934 to only 3.8 per cent, but rose to 9.0 per cent in 1935 and 9.9 per cent in 1936. Two factors will further increase this price spread as the grid becomes more fully utilised. Savings to selected stations through reduction in spare plant have been fully realised only in the last year; [176] they will induce certain undertakings now paying " costs in absence of the grid " to come onto a " cost of production plus Board's on-costs " basis. The greater part of new demand, in the second place, will be on the grid tariff. The outcome clearly depends upon the accuracy of C.E.B. estimates when framing the tariffs. During the first four years they were substantially exceeded,[177] the demand reaching in

[175] De Chazeau, *op. cit.*, p. 375.

[176] *C.E.B., 9th Annual Report, 1936*, p. 22.

[177] *8th Annual Report, 1935*, p. 2.

two years the level envisaged for three. By 1935 even the optimistic original estimates of the Commissioners were exceeded.[178] As a result, while net revenue in 1934 was only £96,000, it rose in 1935 to £1,087,000 and in 1936 to £1,689,000, a substantial proportion of the £2,250,000 which will be required for annual capital payments by the end of the present decade. The Board rightly regards this consequence as "very satisfactory,"[179] and has let it be stated in its name "that with the continued increase in the consumption of electricity there need be no fear that this scheme will not be self-supporting."[180] Rearmament and improvement in general trade conditions seem at the moment to guarantee such continued increase, but C.E.B. financial success is vitally dependent upon it and forbids the Board holding aloof from efforts to stimulate development in every possible direction. A recurrence of severe trade depression before 1940 might yet involve it in difficulties necessitating revision of the tariff, Parliamentary sanction to altered terms with selected station owners, or even a remodelling of the capital structure.

We have seen that despite its autonomy the actual financial operations of the C.E.B. are subject to manifold restrictions by statute, the Bank of England, the Treasury, the Minister of Transport, and the Electricity Commissioners, in almost every aspect. These derive in part from a desire to protect stockholders, but in larger part from the innumerable special safeguards to authorised undertakers and other vendors to and customers of the Board. Were the C.E.B. the owner of all generating stations, this cumbrous machinery could be reduced to simple approval of tariffs by the Commissioners, with a possible appeal against discrimination in special agreements. As it is, the system of co-ordination without ownership, with its correlative special status for selected stations as distributors, has necessitated provision for outside intervention to preserve this status. In all its voluntary agreements, however, and in framing the general tariff, initiative rests with the Board. It is a public utility concern under unusually stringent control, but nevertheless essentially independent.

[178] *8th Annual Report, 1935*, p. 2. For the Commissioners' estimates for the United Kingdom, cf. Central Scotland Electricity Scheme, 1927, *Supplementary Particulars*, pp. 3–4.

[179] *C.E.B., 8th Annual Report, 1935*, p. 20.

[180] 304 H. C. Deb. 5s. 1188 (17 July 1935).

Audit and publicity provide a final means of control, applied in the form common to almost all public corporations.[181] Auditors are appointed by the Minister, conducting their operations under his regulations. He likewise prescribes the form of the published annual statement of accounts. The information is reasonably full in regard to capital expenditure and working expenses at the stage between purchase and sale of energy, but includes only bulk figures for the values bought and sold. The number of units dealt with is not stated, so that it is impossible to obtain the average price per unit even over the whole country, to say nothing of separate areas. This practice has been criticised on the ground that public comparison would stimulate healthy competition among engineers of the various areas and would give more general insight into the working of the grid.[182] It must be realised, however, that the complexity of its statutory relations with distributors places the C.E.B. in an unusual position. The difficulty of resorting to its compulsory powers has, as we have seen, led it to adopt the flexible method of persuasion and agreement in a great number of cases. A published average price per unit sold by the Board in a given area might prejudice agreements for sales at a higher price, no matter how reasonable the terms. Again, the differing dates for the commencement of general trading might lead to unjustified comparisons and demands that each area pay its way as a unit, a principle in direct contravention of the nation-wide scope of the C.E.B. which was specifically rejected in 1926.[183] For reasons of this nature the Minister has refused to compel further publicity,[184] a decision which in the light of the Board's limited powers must be considered justified.

Alone among British public corporations, the C.E.B. has built up an enterprise from its foundation. It has been faced in its financial administration with problems of great delicacy. Dealing on an exceedingly narrow margin, it has had to estimate with precision the future development of the industry it serves. The legal limitations with which its powers are circumscribed have com-

[181] 1926 Act, S. 30.

[182] 34 *Electrical Industries and Investments* 630–1 (25 April 1934); 35 *Ibid.* 581 (17 April 1935); 304 H. C. Deb. 5s. 1181–3 (17 July 1935).

[183] *Standing Committee C, 1926*, cols. 916–28 (29 June).

[184] 304 H. C. Deb. 5s. 1188–9 (17 July 1935); 307 H. C. Deb. 5s. 565 (9 December 1935).

pelled it to thread a careful course combining respect for the statutes with good will and co-operation from authorised undertakers, and have made impossible the optimum technical operation. Its record in the money market is an unhappy one, and justly subject to criticism, but in view of the many obstacles its success in dealing on revenue account during the early years must command admiration. If the operations of the C.E.B. fail to produce a uniform and low level of charge throughout the country, even for electricity in bulk, the remedy must be sought in reform of the statutory price provisions and of the organisation of energy distribution between grid supply point and consumer.

4. *The Grid in Practice*

The working life of the C.E.B. falls into three separate phases of varying lengths, overlapping from area to area. Consideration and adoption of technical schemes began in April, 1927, and was not completed until August, 1931; grid construction and standardisation of frequency was put in hand in September, 1927, and practically finished by the end of 1936, although extensions and alterations will be perennial; normal trading, with generation under centralised control of the Board's engineers, began in two areas in January, 1933. No time was lost by the Commissioners in preparing grid schemes; demarcation of areas and preliminary surveys had preceded constitution of the Board. After careful estimates of growth in demand, stations were selected in accordance with technical considerations and a programme laid out for high tension interconnecting lines and standardisation of frequency.[185] With each scheme the Commissioners transmitted to the Board a volume of Supplementary Particulars, technical and financial, including a programme for operation over five years with detailed statements of projected revenue and expenditure in each year. No statutory significance attached to these programmes, which were not binding on the C.E.B.,[186] but they provided an "illustration of a method whereby the Central Board can be assured of meeting the expenses incurred by them in establishing the transmission system and of being in a position to reduce the cost of elec-

[185] *Electricity Commissioners, 7th Annual Report, 1926–27*, Pars. 166–70.
[186] *8th Annual Report, 1927–28*, Par. 62.

tricity to the various undertakers concerned when the transmission system is completed." [187]

Before adopting the schemes the Board received representations and held conferences with authorised undertakers, and in some cases large consumers, property owners, and local authorities. Formal hearings were omitted, despite a degree of pressure for a general public inquiry in the case of South East England,[188] informal procedure being thought to achieve optimum results with minimum delay. Although not required under the Act, the Commissioners' observations were solicited on proposed modifications.[189] Changes, while not affecting the basic character of the schemes, were substantial. 135 stations were selected in place of 118, the Board relying less on temporary arrangements with non-selected stations than contemplated by the Commissioners. In particular, certain undertakers in South East England, fearing that the original provision for temporary arrangements would deprive them of the option of remaining outside the grid, were prepared to press the claim that this section of the scheme was *ultra vires;* [190] they were met by selection of eighteen additional stations and restriction of the others' obligations to supplying the Board with surplus electricity up to the capacity of their stations, with a corresponding right to demand that the Board take any surplus generated. This alteration was somewhat euphemistically described as intended " to broaden the basis for that co-operation between the Board and the undertakers in the area which is essential to rapid progress." [191] The Board also increased the number of primary lines and transforming stations, and in some instances altered their location. Flexibility was generally introduced by leaving future alterations and extensions of selected stations to be directed by the Board instead of specifying them in detail in the schemes. With the aid of the unemployment assistance grant previously mentioned, finally, important extensions were added to the facilities for South Scotland.

187 Mid East England Electricity Scheme, 1928, *Supplementary Particulars,* p. 9.

188 212 H. C. Deb. 5s. 177–80 (19 December 1927); 69 H. L. Deb. 5s. 213–22 (23 November 1927).

189 *Electricity Commissioners, 8th Annual Report, 1927–28,* Par. 74.

190 *C.E.B., 1st Annual Report, 1928,* p. 9; 69 H. L. Deb. 5s. 219 (23 November 1927).

191 *C.E.B., 1st Annual Report, 1928,* p. 8.

All of Great Britain is now included in nine area schemes, with the exception of the North of Scotland. A scheme for this last area was prepared in 1931, but extension of the activities of the Grampian Electric Supply Company made it unnecessary to proceed with it.[192] Hydro-electric stations of the Company are connected by its own lines with the grid in Central Scotland, and supply surplus energy to that area under agreement with the C.E.B.

Great diversity obtains among the different areas in almost every respect. In extent they range from East England with 3,438 to South West England and South Wales with 17,090 square miles, and in density of population from South Scotland with fifty-nine to South East England with 1,275 persons per square mile. In Mid East, Central, and North East England electrical development was already far advanced, and raised few difficulties other than standardisation of frequency; in the South West, on the other hand, previous development had been very uneven.[193]

Special considerations attached to the North West Area, which combines the concentrated industrial territory of Lancashire with the sparsely populated regions of North Wales and the Lake District. Lancashire undertakers felt that they would be unduly burdened by the cost of providing electricity in other parts of the area, and desired a sub-division. The Board insisted on retaining a single scheme, but indicated willingness to proceed rather slowly with construction of transmission lines in the Lake District while at the same time including the stations of the North Wales Power Company not as selected but under permanent special agreement.[194] As a result, the Welsh transmission lines remained in the hands of this Company and their cost falls upon their consumers alone, instead of upon the entire grid. North Wales consumers have complained of the higher costs and demanded either selection of a station or acquisition of the transmission lines in their region by the C.E.B., but the Board still feels unable to undertake the added burden of relatively expensive lines.[195] The case is characteristic of the necessarily slow rate at

[192] *Electricity Commissioners, 12th Annual Report, 1931–32*, Pars. 41–4.

[193] Cf. 106 *The Economist* 579–80 (24 March 1928); 108 *Ibid.* 210–1 (2 February 1929); 110 *Ibid.* 114–5 (18 January 1930).

[194] *C.E.B., 1st Annual Report, 1928*, p. 12.

[195] 295 H. C. Deb. 5s. 1041–4 (29 November 1934) and 1668–82 (5 December 1934).

which the Board can within its limited powers modify existing differences in cost of supply. It may be expected that as costs everywhere become progressively lowered the position in North Wales may be reconsidered. A somewhat similar situation existed in the relations of East Anglia to South East England, but here no high tension lines whatever existed in the more sparse portion of the area. Possible objections by metropolitan undertakings were forestalled by adopting a separate scheme for East England but operating the areas as one from a single control room.

South Scotland is of particular interest as an area where the grid is essential to electrical development of any sort and where interconnection with other areas is essential to economic operation of the grid in that area. Its western half depends upon exploitation of the water power resources of Kirkcudbrightshire. Owing to the unusually high proportion of capital costs in hydro-electric generation, this is rendered economical only by exporting surpluses along the main transmission lines to Central Scotland and North West England.[196] It was stated for the C.E.B. in 1933 that:[197]

> If the Grid had not been extended to South West Scotland the greater part of that district would have had to wait many years before enjoying the benefits of electricity; extensive programmes of electrification are being developed in the area.

For operating purposes, this area will be linked with Central Scotland and controlled from Glasgow. Interconnection between the various areas, while not necessary to the same degree in other cases, is a regular feature of the grid system.

Three schemes have been formally amended since their adoption. Industrial depression so retarded the growth of demand in the South West, especially in South Wales, that it became feasible to postpone construction of a new selected station by shifting seven existing units into that category. In addition Watford in the South East, and Grimsby in the Mid East area, had by 1936 shown sufficient improvement in efficiency to warrant their selection. Amending schemes containing these alterations have raised the

[196] A. S. Valentine and E. M. Bergstrom, "Hydro-Electric Development in Great Britain, with Special Reference to the Works of the Grampian Electricity Supply Company," in 76 *Journal of the Institution of Electrical Engineers* 125, 130 (February 1935). South Scotland Electricity Scheme, 1930, *Supplementary Particulars*, pp. 3–4.

[197] *C.E.B., 5th Annual Report, 1932*, p. 9.

total number of contemplated selected stations to 144, of which 137 were in operation at the end of 1936.[198] This large number, to which are added twenty-seven non-selected stations under "temporary" arrangements ranging from a few years to semi-permanence, is in marked contrast with the Weir Committee's estimate of fifty-eight, and without doubt exceeds the quantity dictated by canons of efficient generation alone. Over-selection is primarily due to those provisions of the 1926 Act which afford to non-selected station owners protection against compulsory closing beyond all technical or economic justification. It is estimated that not more than five per cent of such stations could be forced to discontinue,[199] an insignificant number among the 285 still in existence not singled out even for temporary arrangements. It may be assumed that none of those selected could have been closed. Yet success of the grid and realisation of economies offered by it demand its loading to the maximum possible extent. Co-operation of certain undertakers, municipalities in particular, depended on assurances that their stations would be kept open for at least some part of the year. Since selections were necessarily made before putting down any lines, it was sometimes difficult to induce undertakers to agree to take their requirements in the future from a system as yet in embryo. In order to be assured of sufficient load to pay its costs the Board felt impelled to select certain stations simply for the control thereby acquired over them, in order that they might ultimately be scrapped. The whole of their capital charges was thereby placed on the grid, but in view of the statutory limitations it is difficult to believe that they could have been avoided. Without control, the Board might have run the risk of obstinate parochial feeling nullifying grid economies, even where use of national facilities was to the local advantage. In general it has pursued a policy of conciliation to local authorities as well as to companies, without unduly sacrificing generating efficiency.

Construction of the grid required almost exactly six years. On 5th September, 1933, the last tower was erected, and the stringing of conductors was practically complete by the end of that year. There are 2,898 miles of primary lines, designed to carry about 50,000 kilowatts at 132,000 volts, and 1,127 miles of secondary lines

[198] *C.E.B., 9th Annual Report, 1936*, pp. 5–6.
[199] De Chazeau, *op. cit.*, p. 379.

at 66,000 and lower voltages, besides 100 miles of underground cable in the London area. Provision for stepping up the pressure of electricity generated at selected stations and stepping it down for connection with the distribution systems of authorised undertakers is made at 289 switching and transforming stations, owned by the C.E.B. and forming an integral part of the grid. Generation in the nine areas is controlled from seven central control rooms, connected with the various generating and transforming stations by telephonic circuits which combine automatic indication of the technical situation in the area at any given time with verbal communication between the control and operating engineers.

The work of construction was carried out under contracts granted by the Board, supervised by well-known consulting engineers. It would be out of place here to consider the structural features of the grid, but it stands as a remarkable engineering accomplishment. "In the work of reconstruction," wrote a correspondent of *The Economist* in 1932, "there is probably no other British enterprise conceived on so large a scale or which is being carried through with such celerity." [200] Novel problems were faced at many points, particularly in the design of large towers for river crossings. That of the Thames at Dagenham is supported by two 487 foot towers, the tallest structures in Great Britain. The 132,000 volt underground cables in London were the first of this pressure to be operated in Europe. Innovations had also to be made in special metering equipment, transformers, switching stations, and communication systems for central control. A very severe physical test of the overhead line system was afforded by the blizzard of February, 1933, when it revealed "comparatively few minor faults." [201] Such troubles as have occurred, especially with tower insulators, have been quickly rectified.[202]

During this period the C.E.B. devoted itself largely to negotiating wayleaves and preserving economy in its contracts. Opposition from landowners caused considerable delay in some cases, and 594 out of the 20,432 wayleaves obtained by the end of 1932 were on a compulsory basis,[203] but on the whole the Board's con-

[200] 114 *The Economist* 343–4 (13 Feb. 1932).

[201] *Electricity Commissioners, 13th Annual Report, 1932–33,* Par. 394.

[202] *C.E.B., 6th Annual Report, 1933,* p. 7; *8th Annual Report, 1935,* pp. 7–8; 34 *Electrical Industries and Investments* 630 (25 April 1934).

[203] *C.E.B., 5th Annual Report, 1932,* p. 53.

ciliatory attitude, extending at times to altering tower sites at appreciable expense,[204] succeeded in evoking co-operation. In settling upon the form and location of its towers it retained the services of Sir Reginald Blomfield, R.A., for professional assistance in preserving amenities. A serious potential obstacle to economy of construction lay in so-called manufacturers' "rings," or trade combinations, in the British electrical industry. The right to accept foreign tenders was therefore specially reserved as a safeguard against exorbitant prices[205] and some were received, but the threat sufficed to make their use unnecessary. In the event British materials were used exclusively. Although falling costs of materials during these years were a factor in its favour to be discounted, credit must be given the C.E.B. for keeping the total expended on the grid at £26,700,000 or about 2½ per cent above the Commissioners' original estimates, in spite of additional high tension cables and other items not contained in the schemes as formulated.[206]

Standardisation of frequency has proved far more costly than expected. Retention of a forty-cycle enclave in the North East was at one time proposed by a number of undertakers, but the Board found the change necessary to inclusion of that area in the national system. Almost completed by 1936, after expenditure of about £19,000,000, it enables savings to be made not only through the grid but also through standardised manufacture of apparatus, and will almost certainly repay its cost. Delay for a few more years would have made general standardisation impracticable.

While the grid was under construction, national consumption of electricity rapidly increased, rising from 6,850 million units in 1927 to 14,550 million in 1935. In order to avoid unnecessary extensions of plant, the Board frequently felt it advisable to afford bulk supplies through grid lines in advance of general trading, even when such provision required alterations in the programme of construction. During 1932 supplies were given in this way to fifty-nine undertakers.[207] It is estimated that about £2,500,000 of capital expenditure was thereby avoided.

At the end of 1932, the Board issued grid tariffs for Central Scot-

[204] 278 H. C. Deb. 5s. 1092 (24 May 1933).
[205] 255 H. C. Deb. 5s. 1750 (23 July 1931).
[206] *C.E.B., 6th Annual Report, 1933*, p. 14.
[207] *Electricity Commissioners, 12th Annual Report, 1931–32*, Pars. 338–9.

land and Mid East England and announced commencement of general trading in those areas as from 1st January 1933. They were followed a year later by South East and East England, and North West England and North Wales, and in April, 1934, by Central England. In 1935 the South West area was included in the field of normal operations, leaving under temporary arrangements only South Scotland and North East England, pending completion of the Galloway water power system and standardisation of frequency.

With the commencement of this, its third and final phase, the administrative mechanism of the C.E.B., which had heretofore existed only in skeleton, assumed semi-permanent form. The executive of only 112 members was increased to 722 by the end of 1935, in addition to some 600 manual labourers in C.E.B. employ. Positions are filled in the main by engineers, accountants, and draughtsmen, with a large sprinkling of typists and other office assistants. Salaries compare with those of private and municipal supply enterprises, ranging above Civil Service levels in the upper grades. They are not published. A contributory pension fund has been established. Recruitment is not systematised, most appointments being made as need arises by the chief officers from the electrical industry at large. The rate of turnover is low.

The administrative hierarchy heads up through the General Manager to the Chairman, with ultimate responsibility to the Board itself. The relations of Board to executive are conditioned by the Chairman's full-time occupation with C.E.B. affairs, which places him in the position of a Managing Director. It is significant that Sir Archibald Page was promoted to the Chairmanship from the post of General Manager. Other members serve in a mere supervisory capacity, although during the earlier phases more constant attention was given by all to C.E.B. work. Under normal conditions the Board meets regularly once a month, with occasional extra meetings to consider matters like the floating of a loan or some other major question of policy. Senior executive officials are generally in attendance. Some of its powers have been delegated to small committees, usually of three members, considering such subjects as wayleaves, finance, and law. This form is in interesting contrast with that of the B.B.C., where the executive head is a permanent official, in principle faced by a strong

Chairman who is to afford a constant check on decisions of policy. Where the main lines of policy are fixed, it is considered unnecessary to retain a non-executive Chairman solely to supervise their direction; this function is left, along with formal responsibility, to the part time and relatively inactive Board.

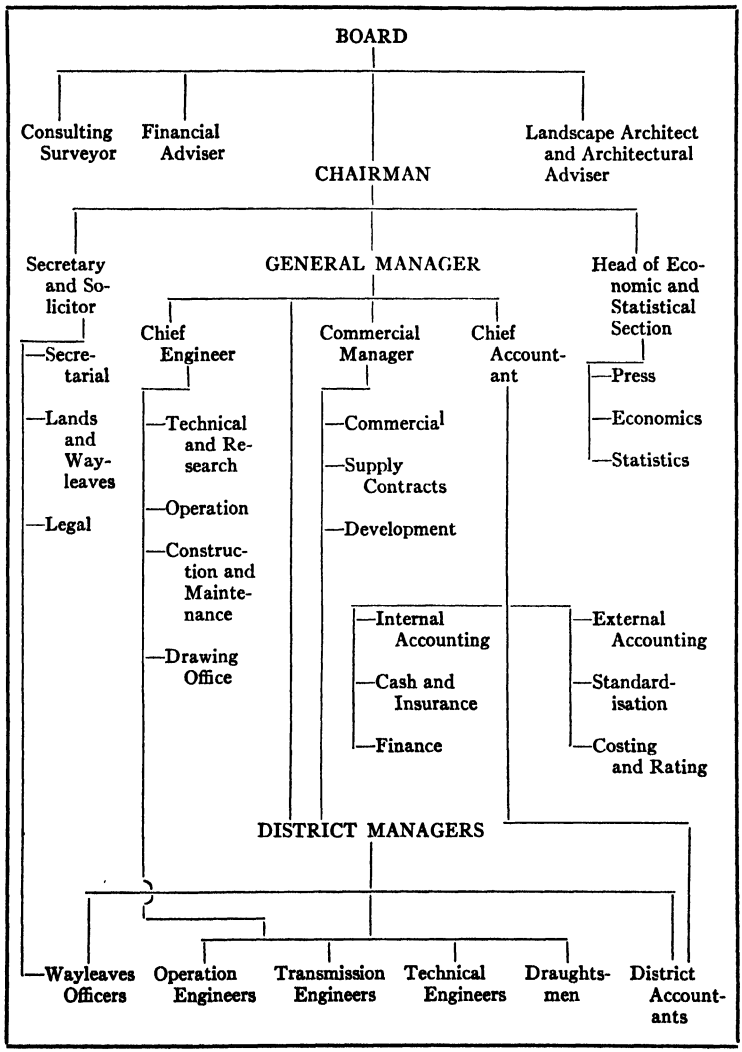
The general character of C.E.B. executive organisation is illustrated diagrammatically on the following page. It will be noted that executive responsibility is focussed upon the Chairman rather than the General Manager. As a small authority still in the stage of adolescence the C.E.B. naturally retains great fluidity of organisation, which its members have sought to preserve to the fullest possible extent.

In controlling generation the district offices are of the first importance. Almost three-quarters of the whole staff are divided among them. Integration with the central office is functional as well as hierarchical. Area generating programmes for each year are approved by the central engineering force, which also regulates inter-area transmission, but the technical requirements involve unpredictable changes in demand from day to day and hour to hour, and the ever-present possibility of breakdown, so that continuous discretion of a high order is perforce expected from control engineers on the spot. Commercial and developmental activities, on the other hand, are managed on a centralised basis, with the assistance of district managers.

Consultative committees, both national and district, composed of engineers of selected stations, have been established on a statutory basis since 1932.[208] The Board has recommended co-opting representatives of other interests. They are consulted upon all questions of policy and general operation, especially in regard to proposed plant extensions, and have been of great value in negotiating agreed terms for resale of energy to selected stations to abate inequities produced by the 1926 Act.

The primary object of the C.E.B. is concentration of generation in a limited number of stations in order to achieve economies both in capital plant and in operation. Since capital charges of all selected stations must in any case be paid by the Board, its ideal technical programme would place the maximum generation on stations with the lowest operating costs. In each area,

[208] 1926 Act, S. 3; *C.E.B., 5th Annual Report, 1932*, pp. 5–6.



ORGANISATION OF THE CENTRAL ELECTRICITY BOARD AS AT 30TH SEPTEMBER, 1935

certain stations are singled out to supply the base load and are run continuously; others are on two shifts only; and the remainder are one single-shift or peak load stations. A few are used only during the winter season. Not only is this general scheme fixed by the Board over long periods, but through its control engineers individual units of plant at various stations are put in use or shut down as the needs of the hour demand. Systematically collected data on the operating efficiency of each station are made

Range — Units Generated in 1936	All Stations			Selected Stations			
	Number of Stations	Number of Units Generated	Proportion of Total	Number of Stations	Number of Units Generated	Proportion of Selected Stations	Proportion of Grand Total
Millions			%			%	%
Over 200	34	13,657,170,269	63.1	32	12,971,446,669	69.0	59.9
100–200	22	3,192,434,385	14.7	17	2,522,148,273	13.5	11.6
50–100	37	2,637,559,460	12.2	31	2,214,780,657	11.7	10.2
25– 50	27	951,696,189	4.4	16	584,295,750	3.1	2.7
10– 25	47	775,992,615	3.6	22	394,162,902	2.1	1.8
5– 10	27	203,090,899	0.94	10	79,245,367	0.42	0.37
2.5– 5	27	98,119,924	0.45	4	17,842,800	0.095	0.082
1– 2.5	49	84,283,038	0.39	4	8,187,030	0.044	0.038
0.5– 1	41	28,321,019	0.13	2	1,490,620	0.0079	0.0069
Thousands							
250–500	34	12,919,297	0.060	1	451,610	0.0024	0.0021
100–250	41	6,426,529	0.030	...	.....	.....	.....
50–100	10	758,124	0.0035	...	.....	.....	.....
Under 50	46	921,409	0.0042	1	42,100	0.0002	0.0002
Total	442	21,649,693,157	100.0	140	18,794,093,778	100.0	86.7

a guide to optimum distribution for any given load. It is of the highest importance that good personal relations obtain between control engineers of the C.E.B. and operating engineers employed by separate undertakings; upon them depends the smooth translation of order into action. Consultative committees aid in their creation, but they are stimulated chiefly by the Board's attempt to have itself regarded as a "partner" in the industry.[209] At times concessions not wholly justifiable on technical or economic grounds have been judged a sound investment in co-operative spirit.

[209] Report of address of Sir Andrew Duncan at Bradford, in 33 *Electrical Industries and Investments* 195 (8 Feb. 1933).

It is still too early in the history of the C.E.B. to make more than a tentative estimate of the grid's quantitative effect in accelerating the concentration of generation. The table opposite summarises the situation in 1936.[210]

Thus 87 per cent of the total generation was concentrated in 140 selected stations, forty-nine of them supplying no less than 82 per cent. Some conception of the increase in concentration over recent years may be gained from the following comparative table, in which the last two columns afford rough indices to the trends:

Year	Number of Stations	Total Units Generated	Increase over Previous Year	Number of Stations Supplying 90 per cent of Total	Proportion of Total Supplied by 60 Stations
		Millions	%		%
1926–27 *	570	8,336	3.0	143	69
1927–28	570	9,928	18.7	140	67
1928–29	564	10,879	9.6	140	67
1929–30	568	11,962	10 0	141	65
1930	559	12,333	3.1	137	67
1931	538	12,813	3.9	134	67
1932	521	13,656	6.6	130	68
1933	489	14,964	9.6	119	70
1934	470	16,896	12.9	105	75
1935	458	18,993	12 4	99	78
1936	442	21,650	14.0	93	80

* Before 1930, the Commissioners compiled statistics on a yearly basis of 1st April to 31st March; the calendar year is now used.

Until 1930, increased size of the larger stations barely kept pace with increased total output. From that time on, however, and with an accelerating pace, concentration has outdistanced total growth, despite the rapidity of the latter during the last four years. The greater part of this change is to be imputed to activities of the C.E.B. In those areas alone in which general trading was in force in 1936, the 155 stations, selected and non-selected, under C.E.B. control generated over 95 per cent of the total public supply, the sixteen largest producing over half this proportion.

210 Compiled from data in the Electricity Commissioners' returns on *Generation of Electricity in Great Britain, Year ending 31st December, 1936*, a non-Parliamentary publication.

Twenty-six were run steadily to produce the base load, twenty-seven on a three-shift basis, but with occasional intervals, fifty for less than 6,600 hours out of the possible 8,784, and the remaining fifty-two less than 2,400 hours.[211] Nevertheless, the ideal of the Weir Committee is still far from attainment.

More enlightening on the qualitative side of this leading aspect of the Board's work is a detailed comparison between generation under private and C.E.B. control in a single area. For this purpose Mid East England has been chosen, as an area reasonably well developed before the advent of the grid, where central control has been in effect for a full five years. The table opposite shows the quantity of energy generated at all stations now under the Board's regulation, whether permanently or temporarily, in 1936 and 1930. Load factors are calculated on a basis of 8,784 hours, whether or not operation was continuous, thus indicating how fully each station was used. In a region almost exclusively dependent upon generation from steam,[212] factors of thermal efficiency measure fairly exactly the relative technical quality of the stations.

The most striking feature of this record is not so much the degree as the quality of concentration. Thus while in both years the seven largest stations shared among them just under three-quarters of the total, the change in allocation decreased the average fuel consumption for the seven from 1.83 to 1.50 pounds per unit, a saving of over 300,000 tons of coal per year. The table, moreover, indicates clearly the grid technique of concentration upon efficient stations. Those listed with load factors below 10 per cent were all operated on a single shift (2,400 hours or less), for peak purposes only. Yet the programme is on the whole being carried through very slowly. Comparison with the preliminary estimates of the Commissioners shows that it was expected to produce 90 per cent of the total energy at seven stations in this area by 1936 rather than 72 per cent.[213] Nor is this contrast limited to a single area; it is universal, and based not upon unlooked for technical difficulties but upon the unhappy financial provisions of the Act of 1926.

A subsidiary disadvantage to the Board derives from ill-will in-

[211] *C.E.B., 9th Annual Report, 1936*, p. 22.

[212] In this area in 1936, 2,297 million out of the total of 2,332 million units were produced in steam stations.

[213] Mid-East England Electricity Scheme, 1928, *Supplementary Particulars*, p. 52.

Stations	1930				1936			
	Units Generated	Proportion of Total	Load Factor	Thermal Efficiency	Units Generated	Proportion of Total	Load Factor[a]	Thermal Efficiency[a]
Selected Stations		%	%	%		%	%	%
Hull	117,479,070	9.2	34.6	16.30	281,467,300	12.1	45.9	20.93
Blackburn Meadows-New[b]	.....	....	. .	....	258,439,350	11.1	51.2	22.19
Kirkstall[c]	4,512,500	0.3	3.0[c]	17.77	256,425,400	11 0	54.8	21.19
Thornhill	36,184,950	2.8	14.5	13.78	242,398,300	10 4	45.2	21.76
Ferrybridge	158,521,950	12.5	45.2	22.23	230,191,600	9.9	58.6	20.84
Neepsend	200,083,430	15.9	39.1	15.36	210,651,425	9.0	36.1	15 52
Bradford	114,988,720	9.0	30.5	17.63	206,219,010	8.8	41.4	16.88
Prince of Wales	104,551,350	8.2	33.7	17.64	178,826,700	7.7	46.4	16.00
Halifax	38,517,360	3.0	25.5	17.62	75,377,340	3.2	32 1	18.08
Huddersfield	53,787,100	4.3	36.1	14.86	61,446,800	2.6	26.6	[d]
Grimsby[e]	23,409,140	1.9	33.5	14.35	55,354,745	2.4	40.3	16.58
Barugh	24,537,700	1.9	31.1	[f]	33,412,310	1.4	33.7	[f]
Blackburn Meadows-Old	36,496,100	2.9	19.7	13.65	22,627,790	1.0	10.6	9.88
Foss Islands	33,236,810	2.6	33 5	17.39	20,175,070	0.9	15.0	14.78
Lincoln	22,817,564	1.8	30 6	13.95	8,408,180	0.4	7.0	[g]
Wakefield	15,832,135	1.2	31.2	12.66	7,970,770	0.3	7.6	[g]
Harrogate	12,731,906	1.0	28.1	13.77	6,596,537	0.3	8.2	[g]
Barnsley	12,393,022	1.0	35.0	14.61	786,620	0 03	1.8	[g]
All Selected	1,010,170,707	79.4			2,156,775,247	92 5		
Temporary Arrangements								
Whitehall Road	159,301,850	12.5	31.5	14.52	105,484,400	4.6	19.2	13.98
Doncaster	14,538,345	1.1	31.0	15.29	28,788,070	1 2	36.3	14.70
Chesterfield	12,944,300	1.0	25.0	10.55	14,670,516	0.6	28.1	9.95
Keighley	18,673,014	1.5	25.9	9.53	4,657,600	0.2	4.7	[g]
Bridlington[h]	2,502,314	0.2	21.4	5.69	.....	....	...	...
All Temporary	207,959,823	16.3			153,600,586	6.6		
Other Stations	(28) 54,688,632	4.3			(16) 21,698,504	0.9		
Grand Total	(50)1,272,819,162	100.0			(38)2,332,074,337	100.0		

[a] In 1936, load factors and thermal efficiencies are calculated on the basis of units sent out instead of units generated, the basis for previous years. For purposes of general comparison, the differences introduced are negligible.

[b] Began operation in 1931.

[c] Began operation on 8th October, 1930. Load factor for hours in operation only, 49.7 per cent.

[d] Partially a refuse destructor station.

[e] Included under temporary arrangements in the original scheme, but selected permanently by the amending scheme of 1936.

[f] Waste heat station.

[g] Not ascertainable from the returns.

[h] Closed down in 1932.

curred by the necessity of so managing its day-to-day control that some of the benefits of the grid will revert to itself. Undertakers with two-shift stations complain at paying tariff rates for imports while they are not generating, without taking into consideration advantages in capital savings they derive from interconnection.[214] Others with base load stations dislike C.E.B. purchase at cost of production of off-peak energy for sale at the tariff when they feel that without the Board they might themselves have secured the profit of such transactions.[215] It is difficult to conceive of legislative provisions better designed to promote friction, for there must be constant vigilance by the C.E.B. to prevent the total absorption of economies by a few favourably placed station owners.

Some of the inequitable and uneconomic effects of the statutory option open to owners of non-selected stations will disappear as grid prices become generally lower than their individual operating costs. Those due to the alternatives enjoyed by selected station owners, on the other hand, will be progressively aggravated, and are probably incurable except by Parliamentary action. The Board has officially described them as designed to give "a direct interest in the economical and efficient operation of the station."[216] In fact, however, undertakers' benefits are due more to the existence of the grid than to any efforts on their own part. As load improves with the general increase in demand, this disparity will become increasingly evident. The third option of costs in the absence of the grid will in most cases cease to be a practical choice for owners; the differential separating their costs from the grid tariff will become more marked; and consumers who by pure accident are connected with their distribution mains will be favoured over others by a progressively greater margin. One ultimate objective of the C.E.B., the levelling of generating costs over the nation as a whole, is thus defeated at the outset. As a temporary measure, the triple option is doubtless of some advantage to the Board, for it prevents certain selected stations, with independent costs falling between

[214] Cf. the complaint of Mr. George Balfour, M.P., at the annual general meeting of the Midland Counties Electric Supply Co., Ltd., 1935, reported in 35 *Electrical Industries and Investments* 360 (6 March 1935), and 1936, reported in *The Times*, 3 March 1936.

[215] This is the substance of the complaints of the London Power Company, Ltd. Report of its annual general meeting, 1935, in 35 *Electrical Industries and Investments* 398 (13 March 1935).

[216] *C.E.B., 5th Annual Report, 1932*, p. 26.

the tariff and cost of production plus Board's on-costs, from avoiding all contribution to overhead charges. Once the point is reached, however, where the tariff is lower than costs in absence of the grid, it should, with suitable concessions for diversity factor, apply universally. Defence of efficient undertakings against the possibility of increased prices to their consumers as a result of the grid is a reasonable protection to existing interests, but preservation, and *a fortiori* aggravation, of differential advantages is indefensible.

Even with these drawbacks, the actual and prospective economies of the grid are considerable. Some indication of reduced working costs is afforded by the coal saving in Mid East England recorded above. Operating economies in all areas in 1935 are estimated at £920,000 and would, but for increased coal prices, have reached £1,420,000 in 1936.[217] In addition, there will be measurable savings in capital expenditure through release of spare plant for regular use and to a lesser extent through the lower cost per kilowatt of large generating sets. Under independent operation, the proportion of spare plant rose from 42 per cent of the total installed in 1926 to 45 per cent in 1931, but it is estimated that with full interconnection reserves may be safely reduced to at most 25 per cent.[218] Out of the 7,500,000 kilowatts of plant in 1933, therefore, 1,500,000 are being released for active generation. Valued at £12 per kilowatt this represents a saving of £18,000,000. If plant requirements increased until 1944 at the 1925–35 rate, 13,200,000 kilowatts would be needed under independent operation as against 9,700,000 with the grid, a saving of £42,000,000. By this item alone, therefore, the entire cost of the grid should be easily covered. Saving in capital commitments from 1932 to 1934 was already at least 1,552,000 kilowatts, or £18,264,000,[219] of which £14,000,000 had been realised by 1936. Reserve plant had then been reduced to the proper proportion for interconnected working, so that selected station extensions are now being planned commensurate

[217] *C.E.B., 9th Annual Report, 1936,* pp. 22–3.

[218] H. Hobson, General Manager of the C.E.B., in 8 *Journal of the Institute of Fuel* 372 (August 1935).

[219] *Electricity Commissioners, 15th Annual Report, 1934–35,* Pars. 201–2. This estimate was made on the conservative basis of comparing the average amount of plant sanctioned from 1926 to 1931 with that from 1931 to 1934. If the rising curve of sanctions from 1921 to 1931 is projected through 1931 to 1934, and the actual figures for the latter years subtracted from it, the saving amounts to 2,000,000 kilowatts, or £24,000,000. Cf. 120 *The Economist* 718 (30 March 1935).

with further increases in demand.[220] In the future, however, such increases can be met with a relatively smaller quantity of generating equipment, owing to all-around reduction in reserve requirements. There seems to be little if any over optimism in the C.E.B. General Manager's estimate that the minimum saving to the industry over the first ten years, provided that increasing demand continuously improves the grid load, will amount to £46,000,000.[221] Regardless of the position shown in its own accounts, the C.E.B. is without doubt a sound national investment.

If load improvement is desirable for its favourable influence on grid prestige and on the more rapid transmission of economies to ultimate consumers, it is absolutely essential to the balancing of the C.E.B.'s financial position by the end of the first tariff period. At the very beginning of the phase of active operation, the Board realised that it must step beyond the area of wholesale control of generation originally contemplated for it into direct encouragement of retail development. Prior to the Act of 1935, a large part of this work was probably strictly *ultra vires*. That statute legalised direct stimulation of load from railways and other consumers with exceptional needs, but can hardly be supposed to cover the Board's attempts to foster new supplies at the grid tariff. Nevertheless, in the existing state of the distributive side of the industry, it has no choice.

Development is encouraged by the Board in four main directions: industrial, rural, domestic, and railway. Contract-making and the final stage of developmental activity is organised through the Commercial and Development Section at the head office, but surveys, propaganda, forming of contacts, and initiative in discovering new territory rest with the Economic and Statistical Section with its staff of ten. In addition, the Board has since the middle of 1933 been the leading constituent member of the British Electrical Development Association, nominating six out of the sixteen members of its Council and contributing a proportional share of its expenses.[222] This Association is the chief agency for the distribution of electrical supply propaganda.

In the industrial field, a very large potential load for public supply undertakings lies in substitution for electrical plant pri-

[220] *C.E.B., 9th Annual Report, 1936*, pp. 21–2.

[221] Hobson, *op. cit.*, p. 373.

[222] 33 *Electrical Industries and Investments* 883 (7 June 1933).

vately installed and in transference to electrical drive of equipment now mechanically driven. According to the Fourth Census of Production there were in 1930 2,833,000 kilowatts of private generating plant and some 6,721,000 horsepower of prime movers for mechanical drive, equivalent to a further 5,000,000 kilowatts.[223] The C.E.B. has often negotiated directly with power consumers for supply of their requirements from the grid,[224] although under existing law energy must nominally be taken by way of an authorised distributor.[225] A close check is kept on enterprises about to renew their own plant, and with the inducement of special grid rates, the Board hopes to multiply several fold the 250,000 kilowatts already transferred.

Rural electrification has been recognised as a special problem for several years, two experimental areas being given a large measure of Government assistance.[226] The C.E.B. attempts to stimulate distributors in opening sparsely populated regions by means of intensive propaganda, calculating returns on a long-term basis. It has also run secondary transmission lines in order to reduce costs to the undertaker. In some localities a power consumer of moderate size, like a quarry or creamery, supplied under special terms arranged with the Board, constitutes a nucleus of load making remunerative the supply of the surrounding rural territory. The most remarkable developments made possible by the grid are in the three southwestern counties of Scotland, Wigtown, Kirkcudbright, and Dumfries, completely agricultural areas with no towns of over 6,000 inhabitants and a general density of only forty-nine persons per square mile. The success of experiments there by County Council and private undertakings shows that such regions can be developed electrically with success, given bulk supply at grid tariff rates. The Board has been active in encouraging rural supply in many parts of England as well, from Sussex to Cumberland, giving support to propagandist endeavour to foster

[223] *Electricity Commissioners, 13th Annual Report, 1932–33*, pp. 195–97.

[224] De Chazeau, *op. cit.*, p. 382; 34 *Electrical Industries and Investments* 121 (24 Jan. 1934), 1548–9 (10 Nov. 1934), and 1624–5 (24 Nov. 1934).

[225] 40,000,000 units annually were added to the grid load in this way at the end of 1935 for the Port Sunlight Factory of Messrs. Lever Brothers. *The Times*, 17 Sept. 1935.

[226] At Bedford and Norwich. Cf. *Electricity Commissioners, 12th Annual Report, 1931–32*, Pars. 59–100; *13th Annual Report, 1932–33*, Pars. 60–88; 289 H. C. Deb. 5s. 1080 (9 May 1934).

the agricultural demand. If the technical and commercial practicability of rural electrification thus demonstrated is not elsewhere exploited, responsibility must rest with authorised undertakers and other distribution authorities.

Domestic heating and cooking are other potential sources of large load increase for the industry, with special advantages of high diversity factor and steadiness in periods of trade depression. Here again the C.E.B. has pursued an active policy of propaganda, sometimes directly negotiating for adoption of electrical heating equipment in housing schemes and new public buildings. Competition with the gas industry has created constant struggles, extending even to the Houses of Parliament, for new territory. Special terms for bulk supply to undertakers are not so much here in question as encouraging and aiding them in an organised propagandist campaign in which the Board plays an important part. Attention is also given to persuading architects, surveyors, and borough engineers of the virtues of electricity in the home.

Main line railway electrification on a national scale would be unique in its effect on grid load improvement. Some 5,700,000,000 units annually, a 35 per cent addition to present sales, with high diversity factor, would facilitate a notable decrease in the average of both capital and working costs. Up to the present, however, approval of this enterprise by the official Main Line Railway Electrification Committee of 1931 [227] has not been reflected among railway directors. Progress has been made in a few cases with suburban or semi-suburban electrification, always with the aid of the Board. Until 1935, energy could be supplied a railway from the grid only through an authorised undertaker, although the intermediary was sometimes purely nominal. Negotiation with a number of such undertakers, one at each point of supply along the railway, proved unduly cumbrous, and the Board obtained the right to direct supply in the Act of 1935. With the help of this provision and in some instances a degree of Government assistance, a number of suburban projects are being put in hand.[228] Diversity between industrial and passenger transport peaks makes this a peculiarly desirable addition to the sources of C.E.B. revenue.

Besides its load-building activities in these specific fields, the

[227] Ministry of Transport, *Report of the Committee on Main Line Railway Electrification, 1931*, pp. 26–7.

[228] 115 *The Electrician* 160 (9 Aug. 1935).

C.E.B. engages in more general propaganda designed to increase public "electricity-consciousness" and to stimulate good will toward the grid. Material is supplied for feature articles in the press and special issues of various periodicals,[229] and officials speak willingly before lay and technical audiences on the Board's accomplishments. The more recently developed technique of the educational film has also been exploited to the same end.[230]

The need for these apparently extraneous developmental functions of the C.E.B. is inversely related to the efficiency of distributive undertakings in themselves performing them. Much of the specialised propaganda and search for new consumers is more properly the duty of authorised distributors; only their default has led the Board, in its own interests, to fill the gap. Reorganisation on the retail side, after wide discussion for several years, has finally reached the stage of positive political proposals, but no matter what changes may be effected the C.E.B. can never be entirely divorced from this branch of the industry. Technical correlation of generation with demand on the one hand, and proper management of grid finances on the other, demand close co-ordination between generation and distribution. The practical experience of the last five years indicates clearly that the sharp distinction envisaged by the legislators of 1926 is illusory.

5. *Conclusion*

The C.E.B. is an experiment in socialisation of electricity supply, but socialisation qualified in two major respects. Only wholesale production and transmission is touched, and even in this restricted field the Board is possessed of mere partial control without ownership. Although complete administrative separation of distribution and generation contradicts requirements inherent in the industry, the real distinction of kind may warrant retaining different, but co-operating, authorities for the two branches. Non-ownership of generating stations which are in fact its productive assets, however, strikes at the heart of the C.E.B., and calls into question the broad problem of the proper scope for the public corporation.

The unique relationship established between the Board and se-

[229] Cf. for example the *Electricity Supply Number* of *The Times*, 5 December 1933; and the *Electricity Issue* of the *Architectural Review*, November, 1933.

[230] In a film entitled "The Face of Britain."

lected station owners sought to retain an operative profit incentive to efficient generation by the latter, combined with rationalisation directed by the former. That object has not been achieved. The profit incentive is not focussed upon efficiency in operation. A well-situated station with technically efficient plant will indeed be singled out to carry base load, but too little discretion remains with the owner signally to affect the " cost of production " which determines resale price of energy from the Board. His plant extensions and day-to-day operating programme are imposed from above. Against any possible economies in personnel and administration as compared with public operation must be balanced the inevitable friction, and in some cases duplication, between operating engineers employed by the undertaker and control engineers employed by the C.E.B. Owners' energies are sometimes concentrated on obtaining from the Board an undue proportion of grid economies, irrespective of their own contributions. Since all costs are in any case guaranteed by the C.E.B., the sole remaining inducement to improved generating efficiency lies in the statutory provision requiring repurchase at tariff rates, rather than at " cost of production plus Board's on-costs," of energy beyond the amount generated at the station in question, which encourages owners to reduce costs at least to the point where the Board will let them generate the whole of their own requirements. As the grid progressively concentrates generation in fewer selected stations, the great majority will produce a surplus for export, and even this inducement will cease to operate. In addition, capital charges on plant extensions, now indirectly paid by the C.E.B., could be appreciably reduced by direct marketing of securities on the Board's own credit. The most serious consequences of continued private and municipal ownership of the stations, however, lies in its hindrance to thorough-going rationalisation. Optimum technical utilisation of grid potentialities will not be possible until the Board is given a free hand to pool the entire sum of its economies and distribute them equally among retailers. The trading provisions of the Act of 1926, even if improved in accordance with previous suggestions, will of necessity preserve many pre-existing differentials, which must remain until vested interests are compensated once for all through purchase of their entire generating equipment. Rationalisation on a national scale demands complete control in every aspect, financial as well as technical; to divorce

such control from nominal ownership is a meaningless and wasteful concession to individualist dogma.

More immediately pressing is the question of distributive reorganisation, upon which depends transmission of economies in generation beyond the bulk distributor to the ultimate consumer. Under existing law, if more than one undertaker intervenes between consumer and wholesaler, the first intermediary, whether a power company or Joint Electricity Authority, must pass on energy supplied by the Board with addition only of charges for transmission.[231] There is no guarantee against dissipation of economies at the next stage, beyond the Minister of Transport's power to prescribe new maxima for municipalities and Power Companies, and the Commissioners' power to revise the relation between charges and dividends for private undertakers, with changes in cost due to C.E.B. operations in mind.[232] Both these instruments of price control are of doubtful efficacy.[233] The administrative organisation of retail supply, moreover, with its congeries of private and municipal undertakings, wide variations in methods and rates of charge, even in contiguous localities, unstandardised voltages and technical systems, backward sales policies, and prevalence of uncontrolled holding companies, has long attracted public attention as a utility service in need of reform. In the summer of 1935 a small Committee was set up by the Minister:[234]

> To bring under review the organisation of the distribution of electricity in Great Britain, including the control of statutory electricity companies by other companies, to advise on methods by which improvements can be effected with a view to ensuring and expediting the standardisation of systems, pressures and methods of charge, further extending facilities (including supplies in rural areas) and reducing costs, and to make recommendations.

Despite its generally conservative attitude, the McGowan Committee found in its Report "no question that an improvement in the present organisation can and must be effected."[235] It rejected

[231] 1926 Act, S. 12 and 3rd Sch.; 1935 Act, S. 3.
[232] 1926 Act, SS. 31–2.
[233] Cf. D. M. French, *op. cit.*, pp. 27–9.
[234] 304 H.C. Deb. 5s. 498 (11 July 1935).
[235] Ministry of Transport, *Report of the Committee on Electricity Distribution*, May, 1936, Par. 84.

the radical solution of reorganisation through regional public corporations,[236] suggesting in its stead compulsory rationalisation by amalgamation of existing undertakings in accordance with schemes prepared by specially appointed District Commissioners, under the general guidance of the Electricity Commissioners and subject to Ministerial and Parliamentary approval.[237] Larger undertakings would generally absorb the smaller, those with annual sales below 10,000,000 units, numbering 431 out of 597 distributors in 1933–34, having no right of appeal against the schemes. Rural and urban areas would be combined as far as possible. In each case provision would be made for possible ultimate purchase by a public authority. Adoption of the Report would appreciably, although gradually, improve the existing condition of the industry. In its main outlines it has been approved by Mr. Chamberlain's Government,[238] but its Parliamentary future is at present uncertain. Local authorities object strongly to acquisition of their undertakings by private companies, and much resentment has been shown by Power Companies and others against subsidiary provisions for future control by the Commissioners.

So far as the Central Electricity Board alone is concerned, the degree of success already achieved by it despite its limited powers is perhaps a greater tribute to the administrative potentialities of the public corporation than would be afforded were it more fully clothed with authority. Not only has it shown initiative and enterprise in a new field of activity, building up its technical machinery from the foundations, but in pursuing a difficult course against the hindrances of private and local animosities and interests, it has

[236] Such reform is advocated by the Labour Party, by G. H., *op. cit.*, pp. 62–5, and in *The Next Five Years*, pp. 94–5. Proposals of the research group entitled "Political and Economic Planning" ("P E P"), on the other hand, are in their main outlines in harmony with those of the McGowan Committee. *Planning*, No. 52 (4 June 1935); P E P, *Report on the Supply of Electricity in Great Britain* (London, 1936).

[237] *McGowan Report*, Pars. 89–92, 141–54.

[238] Ministry of Transport, *Electricity Distribution — Outline of Proposals*, June, 1937. These proposals provide for preparation of schemes directly by the Electricity Commissioners, and would involve amalgamation into 76 groups and 47 sub-groups. One of three alternative bases of amalgamation would place the consolidated undertaking in the hands of a regional public corporation, but this alternative is not to be selected unless general acquisition by a single existing undertaker within the area proves impossible. Cf. Pars. 7(ii), 10.

maintained the general advantage as its primary objective. Its Chairmen and higher officers have demonstrated that public service may be ample incentive to the exercise of entrepreneurial ability; yet their independence from direct political control permits them a flexibility in negotiating agreements, bargaining with station owners, and developing load, without which, given the restrictive framework, the use of the grid would be stultified.

More than any other existing institution in Great Britain, the C.E.B. has faced and met a task of economic rationalisation on a national scale. Its problems parallel to a greater degree those of other primary industries reorganisation of which may be undertaken in the future. Its place in the national economy is the best index to the general serviceability of the public corporation.

IV

THE BRITISH BROADCASTING CORPORATION

1. *The British Broadcasting Company*

WHILE adoption of the public corporation for supply of electricity, for transport, and for port and harbour management must find its justification in criteria of a more or less narrowly economic nature, control of wireless broadcasting, the newest public utility, raises problems of public policy far outweighing in their importance determination of the most efficient means for achievement of generally accepted ends. Its position in the economic life of the country is relatively insignificant, with its capital of only two millions sterling, when compared with the great undertakings of the Port of London Authority, the Post Office, the Central Electricity Board, the Metropolitan Water Board, London Transport, or the railway companies. On the political and social sides, however, the breadth of scope and potential pervasive influence of the new medium are unparalleled. It touches the life of the community at every point. The matter broadcast may range at large over the realms of education and instruction, entertainment, religion and morality, the purveyance of news, and the formation of opinion. It may degrade or enhance the public taste; it may be employed as an instrument of political enlightenment or perverted to the ends of political propaganda and misrepresentation. Potentialities of this magnitude invest with unusual responsibilities those entrusted with its direction. The novelty of the medium, moreover, and early ignorance both of the ends to which it was best suited and of the characteristic technique imposed by its nature, serve to endow with peculiar interest the type of authority selected to govern it, and shed abundant light upon the potentialities of that type finally adopted in this country, the public corporation.

The B.B.C. as it now operates stands in direct organic relation to the private company which until 1927 conducted the broadcasting service, the British Broadcasting Company, Limited. So powerful was the influence of the constitution and policy of the earlier organisation upon the form of the Corporation and the

lines of its future development, and so close the continuity between them, that it is impossible adequately to comprehend the work of the existing authority without placing it in its historical perspective.

The invention of wireless telephony towards the end of the second decade of the present century, and consequent possibility of broadcasting, found in the hands of His Majesty's Postmaster-General legal authority to control its application in the requirement of his licence to operate any wireless station.[1] The choice of controlling Department had been made solely on the ground of administrative convenience; the Post Office exercised general supervision over communications and ordinary telegraphs, and was in contact with foreign telegraph administrations.[2] Shortly after the war, therefore, when interested amateurs and companies foreseeing a lucrative field of commercial exploitation in the sale of receiving apparatus proposed a regular service, they had to wait upon the pleasure of the Postmaster-General, who was naturally somewhat reluctant to give over to broadcasting a portion of the restricted wireless wave-length band then occupied by commercial telegraphy companies, shipping, and the Government Services. Experimentation, however, was freely encouraged; early in 1922 there were already 9,000 licences for experiments in reception and 286 for transmitters.[3] Tentative efforts at broadcasting had been made from the Marconi station at Chelmsford in 1919, and subsequently by Captain P. P. Eckersley, soon to be Chief Engineer of the B.B.C., in Essex. In the United States regular transmission had been carried on since the autumn of 1920. Public interest was widespread. Various manufacturing interests conferred with the Post Office in the spring of 1922 with a view to inaugurating a service, but friction among them seemed at one time to make inevitable a number of separate undertakings.[4] Fearful of a reproduction of the then chaotic conditions in the American ether, F. G. Kellaway, the Postmaster-General, exhorted the manufacturers to resolve their differences, and achieved a settlement in midsummer under which a single broadcasting

[1] Wireless Telegraphy Act, 1904, 4 Edw. VII, Ch. 25, S. 1(1).

[2] *Copy of Memorandum explanatory of the Wireless Telegraphy Bill*, H. C. Paper 271 of 1904, p. 3.

[3] 150 H. C. Deb. 5s. 638 (13 February 1922).

[4] 157 H. C. Deb. 5s. 1956 (4 August 1922).

company was to be set up, open to all *bona fide* wireless manufacturers on easy terms.

The British Broadcasting Company, formed on 18th October, 1922, was brought into being in the first instance by six guarantor firms, who subscribed £60,000 out of the total authorised capital of £100,000. The remaining £40,000 was available to other manufacturers, who could acquire membership by the purchase of a £1 share and deposit (subsequently abolished) of £50.[5] A year later the Company was thrown open to wireless dealers as well, and at its liquidation at the end of 1926 there were some 1,700 members, the total capital issued and subscribed being about £70,000. Of the nine members of the Board, one was nominated by each guarantor and two by manufacturers subsequently joining the Company, while the Chairman was chosen from outside the industry by directors of the six guarantor firms. This post was held throughout the life of the Company by Lord Gainford, a former President of the Board of Education and Postmaster-General. In October, 1923, the General Manager, Mr. J. C. W. (now Sir John) Reith, joined the Board as Managing Director.

Regular transmissions were begun from London on 14th November, 1922 under a Licence and Agreement with the Postmaster-General containing the conditions of operation. Besides supplying the capital, the guarantors gave an undertaking to provide a daily broadcast service from eight stations for the duration of the licence, that is, until 1st January, 1925, and to meet any financial deficit at the end of that period. The B.B.C.'s revenue was derived in part from a 50 per cent share in the fees for receiving licences and for the remainder from heavy royalties on sets sold by members, ranging from 7s.6d. on simple crystal sets to as much as £3 or £4 on large valve units. Broadcast advertising was prohibited [6] and dividends limited to 7½ per cent,

[5] *Licence by the Postmaster-General to the British Broadcasting Company, Ltd., for the establishment of eight radiotelephonic stations and the transmission therefrom of broadcast matter for general reception, and Agreement with respect to the broadcasting of news and general information,* Cmd. 1822 of 1923. Clause 22 and Sch. The deposit was abolished by the *Supplementary Agreement between the Postmaster-General and the British Broadcasting Company, Ltd.,* Cmd. 1976 of 1923, Clause 5(2).

[6] The prohibition did not extend to "sponsored" programmes, and a few were in fact broadcast in 1924 and 1925. 6 *Radio Times* 97 (9 Jan. 1925).

although the latter provision did not preclude distribution in 1924, with the consent of the Postmaster-General, of £2,000 as bonus to the Directors.[7]

When the service was inaugurated, licence revenue was expected to be meagre, and the manufacturers were viewed as running a considerable risk in accepting the responsibility.[8] They demanded as *quid pro quo* protection against foreign competition. This was effected through the machinery of the licensing system, the ordinary 10s. Broadcast Receiving Licence requiring that the set operated thereunder and certain of the most important parts bear a " BBC " mark, indicating that the apparatus was manufactured by a member of the Broadcasting Company. Experimental licences remained without this condition. Evasion of the purpose of the regulations, however, was cheaply effected through the sale of component parts, easily assembled, which carried no " BBC " mark and upon which, whether manufactured at home or abroad, no royalty was paid to the B.B.C. It was estimated early in 1923 that there were 200,000 unlicensed listeners, as well as many applicants for experimental licences who were not *bona fide* experimenters.[9]

Consequent dissatisfaction of the manufacturers was paralleled at the General Post Office. The new Postmaster-General, Sir William Joynson-Hicks, doubted " that it was in accordance with public policy that we should collect what are in effect compulsory taxes for the purpose of giving half of them to broadcasting companies."[10] Certain of the smaller manufacturers felt that they were being treated unfairly, and in the public at large opinion as reflected by the Press was uncertain as to the soundness of the broadcasting authority's constitution. The result was the appointment of the Broadcasting Committee of 1923, comprising Sir Frederick Sykes as Chairman, three other Members of Parliament, representatives of the Post Office, the Press, and the Services, and the General Manager of the B.B.C.

While few of the actual recommendations of the Sykes Committee were accepted, its report laid the foundation for the solu-

[7] 175 H. C. Deb. 5s. 1985 (8 July 1924).
[8] 157 H. C. Deb. 5s. 1958 (4 Aug. 1922).
[9] 162 H. C. Deb. 5s. 2443–4 (19 April 1923).
[10] *Ibid.*, col. 2442.

tion later evolved.[11] Its tribute to the efficiency of the Broadcasting Company and expression of satisfaction that it had not abused its powers over members resolved widespread fears that the Company had been perverted to the ends of a small group of commercial interests. Its proposals with reference to the licensing system were unacceptable by the B.B.C.,[12] but an agreement was later reached involving temporary concessions to the manufacturing interests but embodying the general principles of progressive simplification of receiving licences and eventual abolition of other forms of revenue,[13] thus establishing the basis of permanent arrangements for the finance of British broadcasting. Extension of the B.B.C. Licence for two years, and removal of various technical restrictions on wave-lengths and broadcasting hours,[14] permitted consolidation of the Company's position and policy as a public service body in the three years prior to 1927.

Viewed in its broader outline, this constitution of the British Broadcasting Company was eminently unsatisfactory. It was established with the object of rapidly instituting a service at a time when no adequate conception of the potential position of broadcasting in the national life was possible, and it contained few safeguards to ensure the high quality of that service. The best that could be said for it by the Post Office in a report in 1925 was that it[15]

> had the advantage that it tided over the initial period when the finance of broadcasting was highly speculative and established a system under the best technical auspices with a guarantee of adequate financial backing by responsible firms and a strict limitation of the operating company's profits. It was not intended to be more than a temporary arrangement, and the currency of the licence was deliberately limited to two years in order that the organisation might be open to review when sufficient practical experience had been acquired.

On the technical side, the public interest was amply secured by a provision in the Supplementary Agreement of October, 1923,

[11] *Report of the Broadcasting Committee, 1923* (*Sykes Report*), Cmd. 1951 of 1923.

[12] Reservation to *Sykes Report* by Mr. J. C. W. Reith, at p. 38.

[13] *Report of the Broadcasting Committee, 1925* (*Crawford Report*), Cmd. 2599 of 1926, Appendix II, Historical Summary of the Broadcasting Service in Great Britain, Par. 8.

[14] Under the Supplementary Agreement, Cmd. 1976 of 1923.

[15] *Crawford Report*, Appendix II, Par. 3.

whereby the Company was to erect additional stations "where the Postmaster-General may reasonably consider them to be necessary"; if it failed to do so to his satisfaction he might license other undertakers to operate a service in the given areas, withholding from the B.B.C. a proportionate share of the licence revenue.[16] Post Office authority over the power and equipment of the transmitters was absolute. In regard to the matter broadcast, however, there was no corresponding protection. It was merely required that there should be provided daily, including Sundays, a programme "to the reasonable satisfaction of the Postmaster-General."[17] His only remedy, revocation of the Licence, was so severe that it could hardly conceivably have been used. As Sir John Reith has put it: "Any state of things in which in practice the Postmaster-General could have exercised this right would have brought its own punishment in the form of commercial failure."[18]

In its actual operation between 1922 and 1927, the executive staff of the B.B.C. chose as the keynote of its policy the ideal of public service. By the end of 1925 the original requirement of eight stations had been so far surpassed that there were in operation nine "main" transmitters (maximum power, three kilowatts), eleven "relay" broadcasting stations (200 watts) and the great twenty-five kilowatt station at Daventry, Northamptonshire, which foreshadowed the subsequently adopted Regional Scheme of programme distribution. Eighty per cent of the population had been placed within receiving range of a station on simple apparatus, as against 53 per cent at the end of 1923. Programme policy was from the beginning infused with a high idealism, for which great credit is due to the Managing Director. In his own words, the objective of the Company was:[19]

to entertain, to interest, to enlighten, in all these ways to bring the very best of everything and to spare no effort to do it, to the greatest possible number; to aim always at the highest standards in every line of

[16] Cmd. 1976 of 1923, Clause 8. The Postmaster-General reserved the right to license other undertakers to carry on a service for such areas.

[17] Cmd. 1822 of 1923, Clause 5.

[18] Sir J. C. W. Reith, "Business Management of the Public Services," in 8 *Public Administration* 16, 17 (January 1930).

[19] Reith, "What is Our Policy?" in 2 *Radio Times* 441–2 (14 March 1924).

achievement in whatever direction it may be; to exert our every endeavour to secure that the broadcasting service is looked to as giving the best that there is; that the amusement or instruction it provides may be as universally accepted as is possible to young and old.

It is a notable fact that Sir John Reith's *Broadcast over Britain,* published in the autumn of 1924 at the request of the Broadcasting Company's Board of Directors, contains the seeds of B.B.C. programme policy as it exists to-day in almost every respect other than the fields of political and controversial broadcasts, then taboo. That this attitude could be assumed in a Company under the ultimate control of a relatively narrow trade interest was an indication of willingness on the part of the Board, and through it the trade, to leave the operating executive an almost entirely free hand.[20]

It is a nice question whether under this constitution there was in fact any conflict between commercial aims and the best interests of broadcasting as a public service. In general, to be sure, it was to the advantage of all concerned that a sufficiently satisfactory programme should be transmitted to maximise the number of receiving sets. On the other hand, certain manufacturers, with plans adjusted to a prospective demand for high-powered and expensive apparatus, considered objectionable the introduction of "simultaneous broadcasting," whereby the better programmes were made available at any or all stations, establishment of relay stations, and more particularly construction of the high-power Daventry transmitter, all of which made possible satisfactory reception with relatively cheap and simple sets. Others resented the introduction of long-wave broadcasting, which depreciated the value of stock designed only for medium-wave reception. It is by no means clear that this attitude embodied a sound commercial judgment, for a very considerable market was opened by tapping lower income levels among the public. In any case, this group never succeeded in carrying the Company; Sir John Reith noted in 1924 that: "Certain readjustments of outlook from the original one on the part of some sections of the manufacturing interests

[20] *Minutes of Evidence* before the Crawford Committee, File No. 3, Paper No. 103, Evidence of Mr. J. C. W. Reith, p. 9, Q. 42 (4 February 1926). These documents are not published, but are on file in mimeographed form at the General Post Office.

were undoubtedly necessary, but these have been achieved." [21] The powerful solvent of all such conflicts was an amazing growth in the sale of sets, reflected in licence figures. At 31st March, 1923, their number was 122,155; three years later it had risen to 1,840,268.

The chief grounds for exception to this constitution were negative rather than positive. While it permitted public service, it did nothing to ensure it. Given the glamour of the instrument and the attraction of broadcasting in its early days as a scientific toy, there must have been an enormous latitude in programme quality between the minimum required to sell sets and the highest standard possible with the available resources. It is doubtful that the most popular programme, in the narrowest sense, is always the most desirable, for it is perhaps advisable for the standard to be slightly in advance of the mean or mode of public taste. Only the fortuitous existence of a chief executive and staff with the best interests of broadcasting at heart led to the happy results of the years before 1927, and it was clearly unwise on principle permanently to entrust to an executive body sole discretion in regard to the ultimate guiding policy of its enterprise. Delicate problems like the vexed question of controversial broadcasting, on the political side in particular, could never have been left even indirectly subject to the control of a small group primarily interested in profit-making. Ultimate satiation of the market for receiving sets, inevitable at some future date, would have removed even the existing degree of identification of interest between manufacturers and public.[22]

With the expansion of its scope, and a more general realisation of the importance of wireless in its " ultimate impact on the education and temperament of the country," [23] it became desirable to place the service under a constitution more in harmony with the admittedly sound ends which it had set for itself. The Sykes Committee had recommended administration under the control of the Postmaster-General, aided by an advisory " Broadcasting Board," [24] but this suggestion was not well received, and the Gov-

[21] *Broadcast over Britain*, p. 57. Cf. also 8 *Public Administration* 16, 19, (January 1930).

[22] *Crawford Committee, Minutes of Evidence*, File No. 1, Paper No. 1, Memorandum by Sir G. E. P. Murray, Secretary to the Post Office, Par. 19.

[23] *Crawford Report*, Par. 2.

[24] *Sykes Report*, Pars. 21–23.

ernment resolved in July, 1925, fully seventeen months before the expiration of the current B.B.C. Licence, to appoint a Committee "such as will deserve and command the confidence of the public," [25] to inquire into the whole future of the service.

Evidence was received from representatives of the Press, the musical world, the entertainment industry, those interested in education, experts in broadcast technique, and the various radio associations. The B.B.C. Directors had decided not to press for the continuation of the existing arrangement,[26] and Mr. Reith, while submitting data concerning the operation of the Company and the general problems of broadcasting, refrained on principle from commenting on the constitutional question.[27] The wireless trade spoke through Mr. W. W. Burnham, Chairman of the National Association of Radio Manufacturers and Traders and a Director of the B.B.C., who favoured the retention of non-Governmental control but through a Board more widely representative than the existing one.[28] The core of the Committee's work, however, and the foundation of its Report, is to be found in a lengthy memorandum submitted by Sir Evelyn Murray, Secretary to the Post Office,[29] which had not lacked the previous scrutiny of B.B.C. officials. It recommended the establishment of a public corporation with a broadcasting monopoly, and sketched in some detail provisions finally incorporated in the Charter and Licence. In certain respects, indeed, this memorandum was more closely followed than the Crawford Report itself.

After recording its "admiration for the work accomplished by the British Broadcasting Company," [30] the Committee declared that the increased and increasing breadth and power of broadcasting had made inadequate the trade constitution of the Company, and it therefore recommended: [31]

[25] 186 H. C. Deb. 5s. 1872 (20 July 1925); 187 H. C. Deb. 5s. 1710 (7 August 1925).

[26] 10 *Radio Times* 537 (12 March 1926).

[27] *Crawford Committee, Minutes of Evidence,* File No. 2, Paper No. 95, Evidence of Mr. J. C. W. Reith, pp. 2–3.

[28] *Crawford Committee, Minutes of Evidence,* File No. 1, Paper No. 47, Memorandum by Mr. W. W. Burnham, Par. 6. There was some disagreement among members of the trade on the proposed changes. Cf. Report of Lord Gainford's speech at the annual meeting of the British Broadcasting Company on 8 July 1926, in *The Times,* 9 July 1926.

[29] *Crawford Committee, Minutes of Evidence,* File No. 1, Paper No. 1.

[30] *Crawford Report,* Par. 2.

[31] *Ibid.,* Par. 20(a).

That the broadcasting service should be conducted by a public corporation acting as Trustee for the national interest, and that its status and duties should correspond with those of a public service.

An incorporated "British Broadcasting Commission" was to be set up, composed of five to seven members with a five year tenure, nominated by the Crown, of some business experience, and not representative of specific interests but free of commitments. Continuity should be ensured by the adoption of the Company's staff, property, and contracts, as a going concern. The Commission should remain a monopoly, under renewable Licence from the Postmaster-General of at least ten years' duration, financed through licences on receiving apparatus. A series of minor recommendations were designed to remove restrictions upon further widening the scope of the service. The Report concluded: [32]

We feel that the prestige and status of the Commission should be freely acknowledged and their sense of responsibility emphasised. . . . The progress of science and the harmonies of art will be hampered by too rigid rules and too constant a supervision by the State. . . . The aspirations and the public obligations of Broadcasting can best be studied by a body appointed *ad hoc,* endowed with adequate tenure, and concentrating on this particular duty. The Commissioners should therefore be invested with the maximum of freedom which Parliament is prepared to concede.

2. *The Broadcasting Corporation and the State*

On 14th July, 1936, the Postmaster-General, Sir William Mitchell-Thomson (now Lord Selsdon), announced in the House of Commons the Government's acceptance of the substance of the Crawford Committee's recommendations.[33] The new controlling authority, to be called the British Broadcasting Corporation, was to be established by Royal Charter rather than by Statute or under the Companies Acts, ostensibly in order to invest the constitution with a degree of flexibility and to aid in its psychological divorce from political activities, but more likely to avoid the embarrassment of a lengthy Parliamentary discussion.[34] The Government

[32] *Crawford Report,* Par. 16.

[33] 198 H. C. Deb. 5s. 448–50 (14 July 1926).

[34] This point had been made by the Secretary to the Post Office in his Memorandum to the Crawford Committee. *Minutes of Evidence,* File No. 1, Paper No. 1, Par. 22.

took full responsibility for this action, and debates held in both Houses towards the close of the year were perfunctory.[35] The part played by the medium during the General Strike tended to confirm the view in Parliament and among the public at large that broadcasting was of far too great moment to be left in private hands. Sympathy with the broad objects of the Charter was almost universal, only the subject of controversial programme material being touched upon at any length.

The Royal Charter of 20th December, 1926,[36] created the British Broadcasting Corporation for a period of ten years from the beginning of 1927, naming the first five Governors as corporators, and investing the new body with power to sue and be sued, to hold property, real and personal, and to take other actions appropriate to its corporate nature, "but so that [it] shall apply the whole of its surplus revenue (if any) and other income solely in promoting its objects."[37] These objects were set forth at length, and included operation of a broadcasting service, acquisition of property and construction of stations and other plant for that purpose, publication of literary matter, and collection of news. Supplementary to the Charter was a Licence and Agreement between the Postmaster-General and the Corporation, containing certain conditions of control under which permission to broadcast was granted and provisions for the division of receiving licence income among B.B.C., Post Office, and Treasury.

An agreement between the old Company and the Postmaster-General[38] provided for transfer of the whole service as a going concern without charge and free of all encumbrances upon repayment of the subscribed share capital, £71,536, at par. On New Year's Eve the transition was smoothly effected, with a special broadcast programme to mark the event, and British broadcasting passed into the hands of a public corporation. In 1935, as ex-

[35] 199 H. C. Deb. 5s. 1563–1650 (15 November 1926); and 65 H. L. Deb. 5s. 1695–1707 (15 December 1926).

[36] *Wireless Broadcasting, Drafts of (1) Royal Charter for which the Postmaster General proposes to apply for the incorporation of the British Broadcasting Corporation; and (2) Licence and Agreement, the terms of which have been mutually agreed upon, between His Majesty's Postmaster General and the Governors designate of the British Broadcasting Corporation,* Cmd. 2756 of 1926. Subsequently cited as "*Charter, 1926*" and "*Licence, 1926.*"

[37] *Charter, 1926*, Cl. 1.

[38] Cmd. 2755 of 1926, dated 9th November 1926.

piry of the first charter period drew near, a further Committee under the Chairmanship of Lord Ullswater, drawn from all the major political parties, was appointed:[39]

> To consider the constitution, control, and finance of the broadcasting service in this country and advise generally on the conditions under which the service, including broadcasting to the Empire, television broadcasting, and the system of wireless exchanges, should be conducted after 31st December, 1936.

Its report[40] vindicated the application of the public corporation to broadcasting, and recommended renewal of the Charter for a further ten years with relatively few modifications. Three days of Parliamentary debate during 1936 showed universal acceptance, except in the Independent Labour Party,[41] of the general principles upon which the B.B.C. is constituted.[42] The new Charter came into effect at the beginning of 1937.

This document, together with a new Licence and Agreement between Postmaster-General and Corporation,[43] forms the written constitution of the B.B.C. It sketches in broad outline the principles of administration under which broadcasting is conducted. It is founded upon the assumption that the service should be exclusively public, with no ulterior objective before the operating authority. While no specific provision in Charter or Licence confers on the Corporation an exclusive right to broadcast, the possibility of a rival authority is inconceivable. It has been suggested in Parliament that additional private stations, radiating programmes supplied by commercial advertisers, would prevent diversion of British advertising expenditure to Continental stations,[44] but British opinion has consistently and categorically refused to consider adopting the American method of financing

[39] 300 H. C. Deb. 5s. 1839–40 (17 April 1935).

[40] *Report of the Broadcasting Committee, 1935* (*Ullswater Report*), Cmd. 5091 of 1936.

[41] 318 H. C. Deb. 5s. 2781–4 (17 December 1936).

[42] Cf. 314 H. C. Deb. 5s. 878 (6 July 1936).

[43] *Broadcasting, Drafts of (1) Royal Charter for which the Postmaster General proposes to apply for the continuance of the British Broadcasting Corporation; and (2) Licence and Agreement between His Majesty's Postmaster General and the British Broadcasting Corporation*, Cmd. 5329 of 1936. Henceforth cited as "*Charter, 1936*" and "*Licence, 1936.*"

[44] 280 H. C. Deb. 5s. 2285 (24 July 1933).

programmes through broadcast advertisements.[45] Unless some such technique is to be introduced, the case for exclusive public control is irrefutable. With only twelve wave-lengths available for British use under the Lucerne Plan of the Union Internationale de Radiodiffusion, it permits optimum distribution of stations, with no excessive concentration on urban to the disadvantage of rural areas. Technical improvements may be immediately universalised. Programmes may be so arranged as to supply the best matter wherever desired, affording at the same time maximum variety between alternatives. While competition for advertising revenue is reasonably certain to find some lowest common denominator of what the public wants, or what it is willing to hear, it has been generally supposed that in rejecting all trade elements in either constitution or finance of the operating authority Britain has made possible, if it has not ensured, healthful exploitation of the new agency to an extent otherwise unattainable.[46] It is the task here to consider the exercise of this trust by a public corporation, this fundamental assumption accepted as more or less proved.

The Board of seven Governors is the focal point of the B.B.C.[47] In law they constitute the Corporation. Appointments are made and vacancies filled by the Prime Minister and Postmaster-General, acting in the name of the Crown; [48] this fiction is designed to increase the Corporation's prestige and aid in removing it from party politics. The term is ordinarily five years, but may be less if so specified at the time of appointment. Governors are subject to removal at will, and without reason stated, by Crown in Council, as well as to disqualification for insanity, bankruptcy, continued unpermitted absence from meetings, or tenure of any office in which their interests may conflict, in the Postmaster-General's opinion, with those of the B.B.C. In no case is the work expected

[45] *Crawford Report*, Par. 4; *Ullswater Report*, Pars. 109–11; *Broadcasting, Memorandum by the Postmaster General on the Report of the Broadcasting Committee, 1935*, Cmd. 5207 of 1936, p. 7.

[46] Contentions in favour of the American technique by those directly connected with American broadcasting are associated with misrepresentation of the British system which casts serious doubt on their validity. Cf., for example, National Association of Broadcasters, *Broadcasting in the United States* (Washington, 1933); and W. Hard, "Europe's Air and Ours," in the *Atlantic Monthly*, October, 1932, pp. 3–13.

[47] Until 1937 there were only five Governors, but the number was increased to seven on the recommendation of the Ullswater Committee. It may be varied by order of Crown in Council.

[48] *Charter, 1936*, Cls. 1, 6, 10–13.

to absorb a Governor's full time, although the Chairman naturally devotes more attention to it than ordinary members. He is paid £3,000 a year. In line with the Ullswater Committee's desire generally to improve the status of the Board, the salary of other Governors was increased under the new Charter from £700 to £1,000. As explained in the official statement,[49]

> The Government attach great importance to the duties and responsibilities of the Chairman and other members of the Board of Governors, and consider that the salaries recommended are not more than proportional to the significance and influence of the broadcasting service, which is under their control.

The question of re-eligibility caused some difficulty in 1932, when upon her failure to be reappointed to the Board Lady Snowden published a statement indicating that she had had no desire to retire and had been "axed."[50] Her resentment was partially justified by an official declaration in the House in 1926 that "at the end of five years, those who wish to continue in office may be reappointed."[51] Regardless of the merits of the particular case, it is just as well that no precedent was created tending to establish a vested right in the office. While it may at times be inexpedient to deprive the Corporation of a particular Governor's experience on the Board, sufficient changes must be made to ensure a critical attitude and a view-point other than that of the professional broadcasters themselves. The Ullswater Committee went so far as to recommend that there be no eligibility for reappointment,[52] but the Charter contains a more moderate provision declaring a retiring Governor ineligible "unless Our Postmaster-General shall certify to Us that it is in the public interest that he should be reappointed."[53]

Governors so far appointed have usually held records of public service in some political capacity, but parties are not represented as such. Members of the House of Commons are by convention ineligible, a recently selected M.P. resigning his seat before taking office.[54] It is common to appoint one member particularly experi-

[49] Cmd. 5207 of 1936, p. 7.
[50] *The Times*, 17 December 1932.
[51] 199 H. C. Deb. 5s. 1569 (15 November 1926).
[52] *Report*, Par. 11.
[53] *Charter, 1936*, Cl. 10(iii).
[54] 318 H. C. Deb. 5s. 2751 (17 December 1936).

enced in business and finance. Perhaps somewhat tactlessly, the Baldwin Government named as the first Chairman of this supposedly independent and non-political Board one of its own members, the Earl of Clarendon, then Parliamentary Under-Secretary of State for Dominion Affairs. He was followed in 1930 by J. H. Whitley, who had had an enviable record of impartiality as Speaker of the House for eight years, but his two successors, the late Viscount Bridgeman and Mr. R. C. Norman, the present Chairman, have both lacked a prior record of demonstrated impartiality. The one was a Conservative ex-Home Secretary and First Lord of the Admiralty, and the other also a Conservative, a " City man," and ex-Chairman of the London County Council. Other more or less conservative Governors have been Lord Gainford, carried over from the old Company, Sir J. G. Nairne, a director of the Bank of England, Mr. H. G. Brown, another " City man," Dr. Montague Rendall, ex-Headmaster of Winchester College, Lady Bridgeman, appointed to succeed her husband, and Captain Sir Ian Fraser, noted for his interest in broadcasting while a Member of Parliament. Mr. H. A. L. Fisher, Warden of New College, Oxford, is a Liberal ex-President of the Board of Education, while further to the left stand Lady Snowden, Mrs. Mary Agnes Hamilton, a well known authoress and former Labour M.P., and Mr. J. J. Mallon, Warden of Toynbee Hall.

Many of the witnesses before the Crawford Committee, including the Secretary to the Post Office, had suggested that the Board should represent various interests like music, education, and the wireless industry,[55] but this proposal was rejected in favour of persons " with no other interest to promote than those of the public service." [56] The Committee's counsel was wisely accepted in principle. Protection for particular interests is better afforded through advisory committees, while experts in music and entertainment should hold positions among the executive staff but not on the controlling body. This does not mean, however, that Governors should not be representative in a broader sense. Their interests should coincide as nearly as possible with the entire field covered by broadcasting, and they should share among them sym-

[55] *Crawford Committee, Minutes of Evidence,* File No. 1, Paper No. 1, Par. 21; Wireless League, Paper No. 9, Par. 47; National Association of Radio Manufacturers and Traders, Paper No. 47, Par. 6.

[56] *Crawford Report,* Par. 8.

pathies with the leading cultural trends and schools of thought of the times, whether in education, aesthetics, entertainment, politics, or general philosophy.

It is clear that these criteria have not always been satisfied. From the very beginning the Board has been heavily weighted with members of conservative outlook, while their average age has been such as to suggest an undesirably timid approach to debatable questions of programme policy. One critic has aptly characterised the membership as representing in the main " age, safety and respectability." [57] Nor has the breadth of interest of members always been as great as possible. Governments have shown a tendency to appoint retiring political figures, treating Governorships as formal honours to be bestowed for services rendered rather than as positions demanding judgment upon a wider section of the texture of society than is touched by any other public function. By no means unaware of widespread strictures upon the personnel of the Board, the Ullswater Committee said of it: [58]

> In the appointment of governors we trust that full attention will be paid to width and variety of outlook. It is well that there should be, within the Board of Governors, knowledge of men and affairs and experience both of public service and of financial and commercial matters; but we think it important that any undue homogeneity of age or opinion should be avoided.

In a noteworthy reservation to the report, Mr. Attlee further stressed this point, considering it " undesirable that the Governors should be drawn solely from persons whose social experience and background is that of the well-to-do classes," and emphasising " the desirability of including . . . persons who share the outlook of the younger generations." [59] His recommendation for compulsory retirement at sixty, on the other hand, seems excessively rigid. The recent appointment of Captain Sir Ian Fraser and Mr. Mallon improve the balance of the Board in respect of both age and general outlook, but it is not yet certain that either the importance of such heterogeneity or the proper function of the Governors in the Corporation's working are fully appreciated.

[57] L. Woolf, " The Future of British Broadcasting," in 2 *Political Quarterly* 172, 177 (April–June, 1931).

[58] *Ullswater Report*, Par. 12.

[59] *Ibid.*, pp. 48–9.

In its relations with the State, the B.B.C. is very nearly autonomous. The Ullswater Committee described its position as "one of independence in the day-to-day management of its business, and of ultimate control by His Majesty's Government," and felt that "constitutional independence brings advantages to the general public and to listeners which could not otherwise be secured."[60] Independence is the guiding rule and provisions for control the exception, but it is clear that no monopoly with such immense power to form opinion and such great potential utility in national emergency could be left entirely free. Both Charter and Licence, therefore, contain a number of restrictions.

The business of the B.B.C. ceases automatically upon expiry of the term of ten years, unless Charter and Licence are specifically renewed.[61] In this way periodic re-examination of the Corporation's activities by an independent *ad hoc* Committee like that of 1935 is practically ensured. The Corporation desired a longer term for its new Charter, but the Government wisely rejected its request.[62] Thoroughgoing critical analysis from time to time is a minimum safeguard against administrative arteriosclerosis in an organism which must retain its powers of growth and change. The resentful manner in which the few unfavourable remarks of the Ullswater Committee were received, as expressed in a formal B.B.C. statement issued simultaneously with publication of the report,[63] in itself amply justifies the ten year period. Both Charter and Licence are revokable at any time if the Postmaster-General finds inadequate performance or breach of any of their provisions by the B.B.C.[64] Thus its constitution is subject to continuous enforcement by an administrative Department instead of intermittent enforcement by the courts, as with public corporations established by statute. Such checks are elementary where consumers of the service are unable to protect themselves, but there is not the slightest likelihood that they will ever be brought into operation.

Without specific authorisation from the Postmaster-General the B.B.C. may not enter into arrangements with foreign or dominion

[60] *Ullswater Report*, Par. 47.
[61] *Charter, 1936*, Cl. 19.
[62] 318 H. C. Deb. 5s. 2748 (18 December 1936).
[63] Published in full in *The Times*, 17 March 1936.
[64] *Charter, 1936*, Cl. 18; *Licence, 1936*, Cl. 22.

governments, employ other than British subjects in the conduct of the service,[65] or "receive money or any valuable consideration from any person in respect of the transmission of any broadcast matter . . . or broadcast any commercial advertisement or sponsored programme."[66] A host of provisions protects the interests of other users of the ether. The site, power, wave-length and type of wave, and height of aerial of stations must be approved by the Postmaster-General, to whose engineers they must always be open for supervision or inspection. The B.B.C. is not knowingly to interfere with Navy, Army, or Air Force signalling, and the Admiralty, Army Council, or Air Council may through the Postmaster-General require it to close down an interfering station. Interference with wireless telegraphy stations or ordinary telegraph lines is likewise to be avoided.

The conditions so far described are perfectly unexceptionable, and approval of the Postmaster-General has ordinarily been purely nominal. So also is his power to take over the stations in a national emergency,[67] although discretion in so momentous an action might better have been lodged with the Government as a whole. The Company had only barely missed being commandeered in the General Strike of 1926, and it was clear that some such authority must remain with the State.

There remain three provisions in respect of programmes, besides the prohibition upon broadcast advertising. The Corporation must, in the first place, broadcast for both home and Empire reception, during such hours as the Postmaster-General may prescribe. Negatively this power is an added protection against interference with other services, while it has never been used positively. In addition:[68]

(2) The Corporation shall whenever so requested by any Department of His Majesty's Government at the Corporation's own expense send from all or any of the Broadcasting Stations any announcement or other matter which such Department may require to be broadcast. . . .

(3) The Postmaster General may from time to time by Notice in

[65] *Licence, 1936,* Cl. 7(3). This does not apply to artists, who are under contract with, but are not employees of, the B.B.C.

[66] *Licence, 1936,* Cl. 3.

[67] *Ibid.,* Cl. 21(1).

[68] *Ibid.,* Cl. 4.

writing to the Corporation require the Corporation to refrain from sending any broadcast matter (either particular or general) specified in such Notice. . . .

In explaining the Corporation's Licence in Parliament in 1926, Sir William Mitchell-Thomson described the former provision as applicable to such matters as police notices, gale warnings, and outbreaks of foot-and-mouth disease. "If any Government oversteps the line and goes beyond this," he said, "I have no doubt they will be brought to book and properly brought to book, in the House of Commons."[69] This was insufficient protection for the Corporation's independence. Applications for broadcasting harmless matter are always accepted as a matter of course, and need no specific mention in the Licence. In cases where some difference of opinion might exist between the B.B.C. and a Department, the Corporation is now protected by a proviso in the new Charter permitting it at its discretion to announce that a broadcast is radiated by official request.

Of the latter provision, also never utilised for specific items,[70] Sir William said:[71]

> It is an overriding discretion, resting with the Postmaster-General, to prohibit altogether matter whether particular or general. I do not think the [Supply] Committee will dissent from the general proposition that the State ought to reserve this power. I cannot tell . . . how that power may be exercised by my successors. All I can say is that if there is any variation in the instructions we shall give to the Corporation . . . it will become instantly known, will instantly become a matter of public comment and controversy, not only in this House but outside.

His general instructions when the B.B.C. began operation were two-fold: the Corporation might not broadcast (1) its own opinion on matters of public policy — an unimpeachable prohibition, as it is essential to the standing of the B.B.C. that it hold no avowed views in politics,[72] and (2) matter on topics of political,

[69] 199 H. C. Deb. 5s. 1579 (15 November 1926).

[70] Cf. Major Tryon, at 318 H. C. Deb. 5s. 2750 (17 December 1936).

[71] 199 H. C. Deb. 5s. 1580–1 (15 November 1926).

[72] Earlier in 1926 a degree of controversy had been raised by a broadcast feature of the Company entitled "Editorials," which was subsequently dropped. Cf. letters to *The Times*, 27 May, 31 May, 2 June, and 12 June, 1926, and 196 H. C. Deb. 5s., col. 1286 (8 June 1926). The Ullswater Committee approved the continuance of the prohibition upon editorial comment. *Report*, Par. 79.

industrial, or religious controversy.[73] At the same time, interpretation of these instructions was left to the Corporation, and on two separate occasions, Sir William and his junior at the General Post Office, Viscount Wolmer, expressly declined to interfere with such interpretation;[74] they were, indeed, only rarely consulted on the matter. When, in 1928, the ban on controversial broadcasting was "experimentally" withdrawn[75] — it has never been restored — responsibility for the impartial exercise of its new power was placed squarely on the B.B.C. The Postmaster-General has never reviewed manuscripts before transmission,[76] and when specifically asked to use his veto power in connection with a set of talks on India in 1933, Sir Kingsley Wood replied: "I must trust the discretion of the Governors in this matter, who have the responsibility."[77] Formal State censorship is thus completely non-existent.

An incident in 1932 is of interest as a close approach to outside censorship of the B.B.C. As part of a serious discussion of elimination of submarine warfare, Captain Ernst Hashagen, ex-commander of a German U-Boat, was invited to broadcast a description of his experiences during the Great War. Certain Members of Parliament considered this highly offensive, and the Postmaster-General was persuaded informally to suggest to the B.B.C. cancellation of the talk. After lengthy discussions at Broadcasting House it was decided to accede to this request, and the cancellation was officially explained as effected by the Corporation "in view . . . of international discussions now proceeding at Geneva."[78] It is possible, although not likely, that in case of refusal by the Governors, the Postmaster-General might have relied upon his power under the Licence. In recent years, the independence of the B.B.C. has if anything increased, and it has at times incurred the mild displeasure of Government Departments.

That there must remain with the State ultimate authority to

[73] 199 H. C. Deb. 5s. 1581 (15 November 1926).

[74] 203 H. C. Deb. 5s. 2004–5 (16 March 1927); 212 H. C. Deb. 5s. 598–600 (22 December 1927).

[75] 214 H. C. Deb. 5s. 812 (5 March 1928).

[76] This is in contrast to the position taken with the Company. In the two years before the Crawford Committee sat, eighty-two "potentially controversial" speeches were submitted by the Company to the Post Office, of which fourteen were disallowed. *Crawford Committee, Minutes of Evidence*, File No. 1, Paper No. 1, Par. 44.

[77] 276 H. C. Deb. 5s. 6–7 (20 March 1933).

[78] 268 H. C. Deb. 5s. 593–4 (7 July 1932).

disallow broadcasting of certain matter is undeniable. Friendly relations between Whitehall and Broadcasting House will ordinarily make any reasonable request effective,[79] but in a critical situation the very duty of the Government to preserve order might require compulsory power. It is for such situations that it is intended and its history indicates that its use will be restricted to them. For this reason, a suggestion that the power should vest in the entire Government rather than in a single official is not well taken, for words once in the ether cannot be recalled, and the essence of this safeguard must be its rapidity of application in an emergency. While immediate publicity might defeat the purpose of the veto,[80] there seems no reason to forbid subsequent publicity, within a reasonable period of time. At present discretion remains with the Postmaster-General to permit the Corporation to announce a Government veto.

Complementary to his degree of control over the B.B.C. is the Postmaster-General's general responsibility for it to Parliament. He must see that it keeps within its Charter and Licence. In accordance with the Agreement he supplies it its due proportion of receiving licence revenue, which has in the past been voted by the House of Commons as part of the Post Office Estimates. On such occasions,[81] and sometimes on the Adjournment, the light of Parliamentary criticism is brought to bear upon the policy of the Corporation, which pays careful attention to any mention of it at Westminster. In addition it may be discussed on a Private Member's Motion or on the annual renewal of the Wireless Telegraphy Act, 1904, as part of the Expiring Laws Continuance Bill. Broadcasting has also been debated from time to time in the Lords, where the B.B.C. spokesman may be a member of the Government speaking for the Post Office, or, as in 1931, a peer who sits on the Board of Governors.[82] Since the Charter is granted by royal pre-

[79] This is also true of most of the Press, as strikingly illustrated in connection with naval manoeuvres during the Italo-Ethiopian war, and again in the days preceding the constitutional crisis of 1936.

[80] Cf. 318 H. C. Deb. 5s. 2750 (17 December 1936).

[81] The Deputy-Chairman of Committees once claimed that "we cannot debate the action of the B.B.C. on the Post Office Estimates," 280 H. C. Deb. 5s. 2263 (24 July 1933), but he was in error, for the Corporation has been regularly discussed on such occasions. 219 H. C. Deb. 5s. 2489 ff. (12 July 1928); 226 H. C. Deb. 5s. 61 ff. (4 March 1929); *Ullswater Report*, Par. 55.

[82] Lord Gainford, at 80 H. L. Deb. 5s. 455–66 (19 March 1931).

rogative, without statutory authorisation, even the general debates on its renewal in 1936 took place on the Post Office Vote and on motions for Adjournment and for the Speaker to leave the Chair. In the future more frequent opportunity for Parliamentary discussion will be afforded by separate presentation of B.B.C. Estimates. It has been officially stated that this alteration "ought" to provide a full day's consideration of broadcasting matters each year.[83] The 1936 debates were permitted to range at large over intimate questions of B.B.C. programmes and organisation, including in particular the conditions of tenure of its staff, but in their course the Deputy Chairman of Ways and Means issued the following warning:[84]

> I ought to point out to the Committee that on this occasion a great deal of latitude is being allowed in the discussion on the British Broadcasting Corporation. That is because the Charter or licence under which the Corporation operates has to be renewed towards the end of this year and what we are really discussing to-day is the question of the terms on which that renewal should be made. When the new Charter has been issued, the extent to which it may be possible to discuss questions of this sort again in Committee, will depend on the terms of the Charter.

It is to be hoped that Chairmen will not interpret the rules too rigidly. The preamble to the Charter describes the B.B.C. as acting for the national interest, and it is within the proper province of Parliament to discuss the strictness with which the Corporation adheres to this object. Parliamentary debates, depending for their result upon persuasiveness rather than legal effect, should play a leading part in machinery for constructive external criticism of the B.B.C.

On broader aspects of broadcasting policy questions may be put to the Postmaster-General. No sharp line of demarcation has ever been drawn between matters entirely within the Corporation's discretion and those on which the Postmaster-General will take a degree of responsibility. The working principle was well stated by Sir William Mitchell-Thomson in 1928:[85]

[83] 318 H. C. Deb. 5s. 2784 (17 December 1936).
[84] 314 H. C. Deb. 5s. 889 (6 July 1936).
[85] 219 H. C. Deb. 5s. 2489–90 (12 July 1928).

In the ordinary matters of detail and of day-to-day working, the governors are absolutely masters in their own house. I do not interfere and do not seek to interfere with their absolute freedom in those respects. . . . If any honourable member of the [Supply] Committee, therefore, is desirous of making remarks on the character of the programmes, all I have to say is that I shall faithfully see that what he says is conveyed to the British Broadcasting Corporation and the governors thereof; but . . . I firmly refuse to have any responsibility myself for these details.

As regards matters of general policy, . . . I am prepared to take a certain measure of responsibility — because, of course, we must retain a measure of control over larger matters of general policy. . . .

In practice, questions are always answered on subjects where the Postmaster-General's authorisation is required for B.B.C. action They are largely in the technical field, and include such matters as the Regional Scheme of programme distribution, television, and interference with broadcasting by other wireless services.[86] Points of Charter or Licence modification, like the arrangement in 1930 for State subsidisation of opera through the Corporation, also constitute legitimate topics for interrogation.[87] In certain related provinces, moreover, the General Post Office assumes direct responsibility, as in elimination of electrical interference with reception, where it has the co-operation of the B.B.C.,[88] and in general in connection with issuance of receiving licences and the amount of revenue due thereby to the Corporation.[89] Successive Postmasters-General, on the other hand, have refused to reply to questions concerning details of policy or internal organisation, items of revenue or expenditure more specific than those published in the Annual Report, contracts of the B.B.C. whether in regard to stations, artists, or publications, complaints against specific programme material, or negotiations between the Corporation and

[86] As at 202 H. C. Deb. 5s. 755 (15 February 1927); 213 H. C. Deb. 5s. 1603 (22 February 1928); 216 H. C. Deb. 5s. 1327 (30 April 1928) and 1717–8 (2 May 1928); 224 H. C. Deb. 5s. 757–8 (29 Jan. 1928); 226 H. C. Deb. 5s. 205–6 (5 March 1929); and 246 H. C. Deb. 5s. 28 (8 December 1930).

[87] As at 263 H. C. Deb. 5s. 176–7 (15 March 1932); 265 H. C. Deb. 5s. 2083 (12 May 1932); 267 H. C. Deb. 5s. 674 (17 June 1932); and 268 H. C. Deb. 5s. 235 (5 July 1932).

[88] 265 H. C. Deb. 5s. 1285 (5 May 1932).

[89] Licence statistics and the gross revenue of the B.B.C. are always given Members of Parliament on request. For example, at 267 H. C. Deb. 5s. 388 (15 June 1932).

other organisations.[90] This rule applies even in the field of political broadcasts.[91] Most such questions now never pass the Clerk at the Table; the Speaker has applied the general principle that "to put questions to Ministers on matters on which they have no responsibility would be futile."[92]

It may be said, therefore, that in its choice of programme matter, the B.B.C. is constitutionally under no compulsion whatever. Parliamentary supervision is indirect and limited to enforcement of Charter and Licence provisions; it does not cover the exercise of discretionary authority under those instruments. Members of Parliament have not been uniformly content with their impotence in this connection. Complaints from all sides of alleged political bias have been chronic, and a Postmaster-General's refusal to answer a question has not infrequently called forth a charge of B.B.C. "irresponsibility."[93] A relatively minor incident in the New Year's Eve broadcast at the end of 1932 suddenly precipitated the grumblings, affording an occasion for their open discussion. In the course of an anonymous "traveller's" wanderings over the Continent, he mentioned that one third of the Polish national budget was devoted to armaments. A protest was registered at the Foreign Office by the Polish Government. It was clearly an indiscretion on the part of the B.B.C., the speaker's anonymity being particularly offensive, and the immediate incident was closed by an explanation.[94] *The Times,* however, was flooded with correspondence on the subject, including a letter signed by thirty-one of the nation's most distinguished educators pleading for the Corporation's continued independence.[95] Certain Private Members set up an unofficial committee to inquire into the working of the B.B.C. It was considered advisable by the Government to

[90] As at 203 H. C. Deb. 5s. 1848–9 (15 March 1927); 204 H. C. Deb. 5s. 567, 608 (24 March 1927); 205 H. C. Deb. 5s. 1447–8 (3 May 1927); 206 H. C. Deb. 5s. 977 (17 May 1927); 211 H. C. Deb. 5s. 1198 (6 December 1927); 212 H. C. Deb. 5s. 423 (21 December 1927); 214 H. C. Deb. 5s. 210–1 (28 February 1928); 223 H. C. Deb. 5s. 836 (3 December 1928); and 275 H. C. Deb. 5s. 1609–10 (13 March 1933).

[91] 260 H. C. Deb. 5s. 2317 (11 December 1931).

[92] 233 H. C. Deb. 5s. 246 (10 December 1929).

[93] As at 204 H. C. Deb. 5s. 1890 (5 April 1927); 233 H. C. Deb. 5s. 246–7 (10 December 1929); 280 H. C. Deb. 5s. 2283 (24 July 1933).

[94] 274 H. C. Deb. 5s. 1184 (16 February 1933).

[95] *The Times,* 6 Feb. 1933. For other letters in this controversy, both critical and defensive, cf. *The Times,* 4, 6, 7, 9, and 10 January 1933.

air the matter on the floor of the House of Commons, and the following Private Member's Motion was introduced.[96]

That this House, being satisfied that the British Broadcasting Corporation maintains in general a high standard of service, is of the opinion that it would be contrary to the public interest to subject the Corporation to any control by Government or by Parliament other than the control already provided for in the charter and the licence of the Corporation; that controversial matter is rightly not excluded from broadcast programmes, but that the governors should ensure the effective expression of all important opinion relating thereto; and that only by the exercise of the greatest care in the selection of speakers and subjects can the function of the Corporation be fulfilled and the high quality of the British broadcasting service be maintained.

The Labour amendment merely proposed appointment of a Select Committee " to review the work of recent years and make recommendations." [97] While the actual Division, 203 to 27, is of little significance, since Government Whips were put on for the affirmative, the general tone of the debate showed almost no serious desire to alter the existing constitutional relation between the Corporation and Parliament. Most of the discussion centred around the allocation of time and choice of speakers for broadcast political controversy, a subject of some difficulty, but not relevant to the broad question of Parliamentary control. The result ensured the continuance of B.B.C. autonomy, and requests in 1934 that the Postmaster-General exercise his veto power in connection with comment on foreign affairs were rejected as " out of harmony with the resolution." [98]

An important correlative question raised by the 1933 Debate is that of the desirable attitude of the Government of the day on such occasions. It is no doubt impossible to assume that a single instance constitutes a precedent, but putting on the Whips was a very doubtful expedient.[99] It is not suggested that the Postmaster-General should refuse to defend the B.B.C. during the question hour, when he speaks as the Minister generally responsible for the Corporation and its only link with Parliament, but at those rare

[96] 274 H. C. Deb. 5s. 1811–2 (22 Feb. 1933).
[97] *Ibid.* 1823.
[98] 285 H. C. Deb. 5s. 796 (5 February 1934) and 1577 (12 February 1934).
[99] Cf. the criticism of Lt.-Col. Moore-Brabazon, at 274 H. C. Deb. 5s. 1861 (22 February 1933).

times when general broadcasting policy is before the House — and there was but one such discussion under the old Charter — it would be advisable for the Government to stand aloof and to permit a free vote. The B.B.C. is not a non-political body in the ordinary sense; it must in certain of its work concern itself with political controversy and hold a balance between Government and Opposition. Assurance that it will be supported on a Parliamentary Division by the forces of the majority may tempt it to favour the Government in striking this balance, and is almost certain to create suspicion of such favour. Every argument for the abstraction of general Parliamentary influence over the Corporation applies ten-fold to the abstraction of Government influence, the danger of which is in practice far more substantial.

The *status quo* in regard to Parliamentary control was approved by the Ullswater Committee, but it felt: [100]

> that responsibility for the cultural side of Broadcasting should be transferred to a Cabinet Minister in the House of Commons, preferably a senior member of the Government, and free from heavy Departmental responsibilities.

This was interpreted by *The Times* as indicating the Lord President of the Council.[101] Although persuasively supported by Mr. Clement Davies and Mr. Attlee, both members of the Committee, on the ground that the B.B.C.'s spokesman in the House should take a "very broad view of the subject," free from any narrowly Departmental approach,[102] the recommendation contains the seeds of dangerous increase in Parliamentary and Governmental control. Such a Minister might in time come to view himself as a special Minister for Broadcasting, taking the words "responsibility for the cultural side of broadcasting" in a wider sense than they were probably intended. Feeling the proposal to be "inconsistent with the preservation of independent management by the Corporation," [103] the Government decided to retain the Postmaster-General as the connecting link with Parliament. None the less, there is much merit in the feeling that the Postmaster-General is not the most satisfactory Minister, particularly when, as was the

[100] *Report*, Par. 53.
[101] *The Times*, 17 March 1936.
[102] 314 H. C. Deb. 5s. 927, 975 (6 July 1936).
[103] Cmd. 5207 of 1936, p. 7.

case with Sir Kingsley Wood, he is also the official organiser of propaganda for his political party.[104] He is rarely a member of the Cabinet. While the Post Office must for reasons of administrative convenience retain its functions as collector of licence revenue and "policeman of the ether," there is no necessary connection with the non-technical aspects of broadcasting. More suitable would be the President of the Board of Education, to whom might be transferred all existing Ministerial powers in regard to the B.B.C. constitution and programme matter. The Government's objection on practical grounds to divorcing technical and non-technical broadcasting matters is unconvincing.

Any increase in Parliamentary control is highly undesirable. Working efficiency demands that details of ordinary operation of the service be excluded from the question hour, while evolution of a constructive policy in controversial broadcasting forbids the shackles of a control designed solely to secure exact political impartiality. The crux of the matter is contained in the words of the resolution of 1933 — "that *the governors* should ensure the effective expression of all important opinion."[105] Added public safeguards, if required, must be sought in an adjustment of internal balance within the Corporation itself.

3. *Broadcasting Finance*

Shortly after the report of the Sykes Committee in 1923, royalties on receiving sets were abolished,[106] and the Broadcasting Company became financially independent of the wireless trade. The only important sources of revenue since that time have been the B.B.C. share of licence fees and net revenue from publications. Commercial advertising was from the outset rejected on principle, although the Company and the Corporation under its first Licence could broadcast "sponsored" material, where the sponsor supplied programmes in return for mention of his name devoid of descriptive advertising. A few such items were transmitted during 1924 and 1925,[107] but never since the change to public control. The Ullswater Committee thought that they might aid in financing

[104] Cf. 299 H. C. Deb. 5s. 27 (11 March 1935).
[105] Italics mine.
[106] 4 *Radio Times*, No. 41, p. 45 (4 July 1924).
[107] 6 *Radio Times*, No. 68, p. 97 (9 January 1925).

the early stages of television,[108] but the Government saw "no good ground for making any exception,"[109] and they are now specifically prohibited.

Receiving licences were originally required in order to reserve to the State a measure of control over the users of sets, largely for strategic reasons.[110] In the early months of 1922 fees failed by a wide margin to cover costs of collection and inspection, but with the advent of regular broadcasting and consequent tremendous increase in number of receiving sets, they were naturally indicated as the most convenient source of revenue for the service. The rate of 10s. per annum, equivalent to three days per penny, was judged by the Crawford and Ullswater Committees to be not excessive,[111] and pleas for its reduction or for a differential rate for crystal as against valve sets have never been seriously considered. Licences are granted free of charge to the blind.[112]

Receiving licences are issued by the Post Office, which deducts costs of issuance, detection of evaders, and other services in connection with broadcasting. The proportion of 12½ per cent fixed in 1926 to cover these charges was reduced in 1931 to 10 per cent[113] and under the new Licence to 9 per cent for 1937 and 1938, with provision for biennial revision of the figure to keep it in harmony with actual Post Office costs.[114] On the principle that operating costs do not advance proportionately with the number of listeners, a sliding scale was included in the old Licence under which the B.B.C. received, after the Post Office deduction, 90 per cent in respect of the first million licences; 80 per cent, the second million; 70 per cent, the third million; and 60 per cent, all additional licences, the remainder being turned over to the Treasury.[115] Payments for each fiscal year (1st April to 31st March) were made on the basis of the number of paid licences in force at the beginning of that year.

[108] *Report*, Pars. 110–1.
[109] Cmd. 5207 of 1936, p. 7.
[110] *Sykes Report*, Par. 43.
[111] *Crawford Report*, Par. 9(3); *Ullswater Report*, Par. 58.
[112] Wireless Telegraphy (Blind Persons Facilities) Act, 1926, 16 & 17 Geo. V, Ch. 54.
[113] *Supplemental Agreement between H. M. Postmaster General and the British Broadcasting Corporation*, Cmd. 3884 of 1931, Cl. 2.
[114] *Licence, 1936*, Cl. 20(2).
[115] *Ibid., 1926*, Cl. 18.

Total licence revenue, and its allocation among Post Office, Treasury, and Corporation are set forth in the following table:

Year	Collected	To Post Office		*To Exchequer		To B.B.C.	
	£	£	%	£	%	£	%
1927	1,191,863	148,983	12½	241,921	20½	800,959	67
1928	1,307,162	163,395	12½	272,003	21	871,764	66½
1929	1,470,386	183,798	12½	342,287	23½	944,301	64
1930	1,696,225	212,028	12½	441,174	26	1,043,023	61½
1931	2,150,877	232,943	11	†738,902	34	1,179,032	55
1932	2,614,050	261,405	10	†1,046,191	40	1,306,454	50
1933	2,967,756	296,775	10	†1,210,629	41	1,460,352	49
1934	3,369,691	336,969	10	†1,322,436	39	1,710,286	51
1935	3,680,000‡	368,000‡	10	†1,273,738‡	35	2,038,262	55
1936	3,955,278	395,528	10	1,050,000	27	2,509,750	63
Total	24,403,288	2,599,824	10.6	7,939,281	32.6	13,864,183	56.8

* Not including B.B.C. Income Tax payments.
† Including "voluntary contributions" from the B.B.C. of £25,000 for 1931, £137,500 for 1932, £225,000 for 1933; £187,500 for 1934, and £62,500 for 1935, making £637,500 in all.
‡ Approximate.

It will be seen that until 1936 only about one half the listener's licence fee was utilised by the broadcasting service. This fact raises in striking form the question of the advisability of using surplus funds from semi-independent services as a source of general revenue. The practice has been defended in Parliament in connection with broadcasting on the ground that the State receives a type of royalty for actual services: it confers the monopoly, prevents infringements, and keeps wave-bands free for the B.B.C.; or alternatively that it constitutes a form of entertainment tax.[116] Such arguments from abstract justice have been less compelling than the simple circumstance of the existence of a financially strong public corporation which might supplement the resources of embarrassed Chancellors of the Exchequer. It must be noted, moreover, that in the event of more widespread socialisation of industry under such authorities, weaker trades like coal-mining will inevitably be partially supported by the stronger.

During the financial crisis of 1931 the May Committee on National Expenditure hit upon broadcasting as a possible source of additional revenue to the Treasury.[117] Happily for the service the Committee's full recommendations were not accepted, but the

[116] 199 H. C. Deb. 5s. 1573–4 (15 November 1926); *Crawford Report*, Par. 9.
[117] *Report*, Cmd. 3920 of 1931, Pars. 545–9.

B.B.C. agreed instead to forego a portion of its share of licence revenue as a "voluntary contribution."[118] Payments were made on this basis from 1931 to 1935, amounting in all to £637,000.

The essential principle, in the words of the Crawford Committee, is that the Corporation should receive "an income thoroughly adequate to enable them to ensure the full and efficient maintenance and development of the service."[119] If this has been the case, it is only because of considerable annual net revenue from publications in addition to that from licences. *The Listener* is run on a non-commercial basis, but the other two weekly periodicals, *The Radio Times,* with a circulation of over three millions, and *World-Radio,* with 200,000, earned between them in 1936 over £440,000, or 15 per cent of the total income. For the greater part of the B.B.C.'s existence licence revenue has failed to cover even revenue expenditure (including maintenance and provision for depreciation), the gap reaching in 1933 the startling total of £120,000. Publications have therefore supported almost all of the Corporation's capital expenditure, which is financed exclusively out of revenue, and at times a portion of its working costs. This dependence is a potential, although so far completely unexploited, threat to the autonomy of the B.B.C., for it places in an advantageous position advertisers in the columns of the *Radio Times,* who might exercise an unfortunate negative influence over programmes. Complete financial independence, at any rate of interests other than Parliament, is the ideal for a broadcasting authority. It should be in a position to dispense at will with subsidiary sources of revenue.

Increase in the number of wireless licences has exceeded all early estimates in both rate and duration. The numbers in force on 31st December of the various years were as follows:

1922.....	35,774	1930.....	3,411,910
1923.....	580,380	1931.....	4,330,735
1924.....	1,140,119	1932.....	5,262,953
1925.....	1,645,207	1933.....	5,973,759
1926.....	2,178,447	1934.....	6,780,569
1927.....	2,395,174	1935.....	7,403,109
1928.....	2,628,392	1936.....	7,960,573[120]
1929.....	2,956,736		

[118] 256 H. C. Deb. 5s. 1011 (17 September 1931).
[119] *Crawford Report,* Par. 20(i).
[120] Including over 50,000 free to the blind.

Successful prosecutions for operation of unlicensed apparatus are still very frequent, and licence figures may be expected to continue to increase rapidly, although at a decreasing rate, until a point of relative saturation is reached at around nine millions, or well over two per three households. The eight million mark has already been passed.

As a result, the total income of the B.B.C. has been multiplied two and a half times in eight years, from £902,000 in 1927 to £2,473,000 in 1935.[121] Corresponding expansion in the service, on both technical and programme sides, has easily absorbed the increase. The Regional Scheme of programme distribution and Empire Broadcasting have entailed considerable capital expenditure, and the Corporation has considered programme development "retarded" during recent years on account of the emergency contributions to the Treasury.[122] The Ullswater Committee reported "that the B.B.C. would in the past have been able to provide more varied programmes and a more rapid extension of the service, if its income had been larger."[123] Its recommendation for an increase met with sympathetic response in Parliament, and henceforth the Corporation will receive 75 per cent of licence revenue after the Post Office deduction. In addition:[124]

If on representations made by the Corporation to the Postmaster General the Lords Commissioners of the Treasury are satisfied that the income of the Corporation is during any portion of the term insufficient for the adequate conduct of the services provided by the Corporation under the provisions of these presents (including a broadcast service for reception in His Majesty's dominions beyond the seas and territories under His Majesty's protection and the Television service) the Postmaster General shall pay to the Corporation such additional percentage . . . as he may be directed to pay by the Lords Commissioners of the Treasury during such period as may be directed by them.

[121] Financial data in this section are taken from the accounts appended to the *Annual Reports of the B.B.C.*, and will not be specifically cited. The *Reports* are published as Command Papers, as follows: 1st, 1927, Cmd. 3123 of 1928; 2nd, 1928, Cmd. 3324 of 1929; 3rd, 1929, Cmd. 3599 of 1930; 4th, 1930, Cmd. 3863 of 1931; 5th, 1931, Cmd. 4095 of 1932; 6th, 1932, Cmd. 4277 of 1933; 7th, 1933, Cmd. 4501 of 1934; 8th, 1934, Cmd. 4813 of 1935; 9th, 1935, Cmd. 5088 of 1936; 10th, 1936, Cmd. 5406 of 1937.

[122] *B.B.C., 7th Annual Report, 1933*, p. 20.

[123] *Report*, Par. 66.

[124] *Licence, 1936*, Cl. 20.

Payments will be made in respect of each month's licences instead of the number in force at the beginning of the year, resulting in a further slight increase for the B.B.C. as long as the number of listeners continues to rise. A special arrangement for 1936 gave the Corporation the entire surplus after deduction of 10 per cent for the Post Office and £1,050,000 for the Treasury. The new provisions will substantially augment the B.B.C.'s licence revenue, which should approach £2,800,000 for 1937. They should afford sufficient margin for continued expansion and improvement on both capital and revenue account, although it may prove necessary to finance television out of the Treasury share of licence fees.[125]

In the early years, a slightly larger share of income might have been available for programmes had it been possible to spread capital expenditure by means of borrowing through terms of years in harmony with the life of the corresponding assets. Had the approach of licence revenue to saturation point been less rapid, this would have been a wise policy, as heavy expenditure for early development might have been financed with the aid of the prospective increased income of the future. Under the Charter, borrowing powers were limited to £500,000,[126] but the Corporation could probably have obtained without difficulty an extension of the permitted sum by means of a Supplementary Charter. Any loan, however, would have had to be amortised before expiry of the Charter. The powers were used to their full extent in 1931, to aid in the purchase of Broadcasting House, an asset with a life estimated by the May Committee at thirty years,[127] but by 1933 a fund had been accumulated sufficient to discharge the entire debt. The advisability of wider borrowing by the Corporation is very doubtful. Wireless plant is subject to rapid depreciation and more rapid obsolescence; the average life of a station is probably nearer seven years than the fifteen suggested by the May Committee.[128] Thus Daventry 5XX, in 1925 the largest and most modern station in the world, was replaced in 1934 by Droitwich National. Office buildings, for London and Regional Headquarters, have a longer life, but even Broadcasting House was said in 1935 to be outgrown,

[125] *B.B.C., 10th Annual Report, 1936,* p. 26.

[126] They were raised in the new Charter to £1,000,000.

[127] Cmd. 3920 of 1931, Par. 548.

[128] *The Times,* Broadcasting Number, 14 Aug. 1934, p. iv.

after only three years of use. In the extremely youthful condition of the industry, any error in financing capital expenditure out of revenue is an error on the side of wisdom.

Capital taken over from the Company free of charge was valued at £174,938, to which the B.B.C. had added up to 31st December, 1936, £3,218,340, classified as follows:

Land and Buildings	£1,983,092
Plant	1,077,134
Furniture and Fittings	95,898
Musical Instruments, Music and Books ..	62,216

Nearly one half of the first item is due to the construction of Broadcasting House. It is impossible to judge from the published accounts the exact expenditure on the Regional System, but it may safely be said to be responsible for 60 or 70 per cent of the re-

Year		Total	Programmes	Maintenance of Plant, Power, etc.	Rents, Rates, Insurance, Taxes, etc.	Administrative Expenditure	Staff Pensions, etc.	Governors' Fees	Provision for Depreciation
1927	£	773,289	487,728	131,037	*63,252	50,904	7,918	6,100	26,350
	%	100.0	63.0	16.9	8.2	6.6	1.0	0.8	3.4
1928	£	879,325	538,991	160,456	*78,000	56,212	8,416	6,100	31,150
	%	100.0	61.3	18.3	8.8	6.4	1.0	0.7	3.5
1929	£	956,343	548,676	178,942	*119,026	55,682	9,417	6,100	38,500
	%	100.0	57.4	18.7	12.5	5.8	1.0	0.6	4.0
1930	£	1,038,352	580,304	192,720	*140,687	59,420	10,516	6,100	48,605
	%	100.0	56.0	18.5	13.5	5.7	1.0	0.6	4.7
1931	£	1,195,782	657,935	211,735	*174,565	64,014	13,825	5,948	67,760
	%	100.0	55.0	17.7	14.6	5.3	1.2	0.5	5.7
1932	£	1,386,940	663,424	252,261	*266,397	77,173	22,393	5,642	99,650
	%	100.0	47.8	18.2	19.2	5.6	1.6	0.4	7.2
1933	£	1,579,785	786,345	293,071	*241,281	89,033	38,955	6,100	125,000
	%	100.0	49.8	18.5	15.3	5.6	2.5	0.4	7.9
1934	£	1,838,493	915,025	334,959	*276,236	92,876	31,297	6,100	182,000
	%	100.0	49.8	18.2	15.0	5.1	1.7	0.3	9.9
1935	£	2,148,411	1,110,572	386,529	*302,668	118,898	37,537	5,207	187,000
	%	100.0	51.8	18.0	14.1	5.5	1.7	0.2	8.7
1936	£	2,579,597	1,339,202	490,289	*335,770	133,034	45,202	6,100	230,000
	%	100.0	51.9	19.0	13.0	5.2	1.8	0.2	8.9

* Includes provision for Income Tax: 1927, £20,000; 1928, £20,000; 1929, £60,000; 1930, £50,000; 1931, £73,995; 1934, £113,000; 1935, £120,008; and 1936, £145,000.

mainder. The cost of Regional Stations has been estimated at £140,000 each.[129] Television had absorbed £116,500 by 1936. To cover the greater part of this expenditure, £2,175,062 has been

[129] Cmd. 3920 of 1931, Par. 542.

appropriated out of Revenue Account. By a Supplemental Charter of 14th August, 1931, the Corporation was authorised to utilise Depreciation Reserves for capital expenditure,[180] and the balance was supplied from this source until its depletion in 1936. Capital account showed a deficit of £84,309 in 1936,[181] so that future needs must be met entirely out of current revenue.

Revenue expenditure and its distribution are indicated opposite in tabular form. The table on the following page shows the distribution in more detail for the last three years.[182] Revenue expenditure for television amounted to £111,500 in 1936.

These figures reflect the continuous general expansion in British broadcasting since the service was taken over by the B.B.C. Programme expenditure has shown a marked increase each year with the exception of 1932, when curtailment owing to emergency contributions to the Treasury caused an undesirable check on development. The Regional System has made possible increased centralisation of programme work at the Regional centres, reducing its proportion to total expenditure. It will be noted that as the Corporation has added to its fixed capital, direct costs of broadcasting have fallen from 80 to 70 per cent of the whole, while outlays for rents, rates, depreciation and taxes have proportionately increased. Income tax is levied upon the surplus of revenue over revenue expenditure, thus falling upon the fund which supplies all of the Corporation's fresh capital, and its legitimacy is very doubtful.

Continued expansion may be expected for several years, although not perhaps at the past rate. Redistribution of stations is now not far from completion; it is on the programme side, and particularly in new fields like television, that future development is most to be looked for.

The autonomy of the B.B.C. in matters of finance is in practice only slightly less than in other fields. Its licence revenue, as has been shown, is collected by the Post Office and is subject to the formal approval of Parliament, but such approval is purely nominal, and use of the funds, once received, is entirely within the dis-

[180] 267 H. C. Deb. 5s. 674 (17 June 1932).

[181] This deficiency is accounted for by expenditure on television, which is to be written off over four years.

[182] Data for 1934 are from the *Ullswater Report*, p. 76; those for subsequent years from the *Annual Reports* of the B.B.C.

	1934	1935	1936
	£	£	£
Programmes			
Artists, Speakers, &c.	330,537	401,380	504,607
Permanent Orchestras	168,557	201,080	223,314
Performing Rights, Copyright Fees and New Royalties	148,886	187,361	205,489
Simultaneous Broadcast Telephone System	47,773	54,225	60,127
Programme Staff Salaries	186,745	227,200	293,161
Expenses (including Travelling, Stationery, Postages, and Miscellaneous Expenses)	32,527	39,326	52,504
Engineering			
Power and Plant Maintenance Costs, Research Materials, and Transmitting Plant	83,225	93,976	116,119
Engineering Staff Salaries	221,427	257,130	326,216
Expenses (including Travelling, Stationery, Postages, and Miscellaneous Expenses)	30,307	35,423	47,954
Premises Maintenance and Overhead Charges			
Rent, Rates, Taxes, and Insurance	44,247	59,310	64,961
Heating, Lighting, and Telephones	23,848	28,613	36,707
Alterations to and Maintenance of Premises, Extension of Studios, Maintenance of Furniture, &c.	95,141	94,637	89,102
Administration			
Administration Staff Salaries	76,460	94,459	113,444
Expenses (including Travelling, Legal, Audit, Stationery, Postages, and Miscellaneous Expenses)	16,416	24,439	19,590
Contributions to Staff Pension Scheme and Benevolent Fund	31,297	37,537	45,202
Governors' Fees	6,100	5,207	6,100
Provision for Depreciation and Renewal of Premises, Plant, Furniture and Fittings, &c.	182,000	187,000	230,000
Provision for Income Tax	113,000	120,108	145,000
Total	1,838,493	2,148,411	2,579,597

cretion of the Corporation. Certain negative checks are established to prevent misappropriation of what are in a sense public moneys, even though obtained for the support of a special service from users of that service.

The Corporation is compelled to employ all its revenue "exclusively in furtherance of the purposes of this Our Charter," and

is expressly enjoined from distributing a bonus to the Governors in excess of the prescribed maximum salaries.[133] It must accumulate in trustee securities a depreciation fund adequate "in the opinion of its Auditors," but may employ this fund for capital expenditure or for the repayment of capital loans. Subject to these restrictions, it may treat its receipts as capital or revenue, and allocate them as it pleases within these categories. Its accounts, however, must be audited annually by chartered accountants approved by the Postmaster-General, and it must submit to him an annual General Report, with a Statement of Accounts. Finally:[134]

> The Corporation shall at all reasonable times upon demand made give to Our Postmaster General and all other persons nominated by him full liberty to examine the accounts of the Corporation and furnish them with all information and documents which they may require with regard to the financial transactions and engagements of the Corporation.

In practice, supervision is confined to annual audit and acceptance of the published accounts. The latter were until 1935 very sparse, consisting of a highly generalised Balance Sheet and a Revenue Account containing only the broadest classifications. Under Programme Expenditure, for instance, it combined payments of artists, orchestras, news royalties, performing rights and simultaneous broadcasting telephone system, and salaries and expenses of the programme staff. The statements have since presented a more fully itemised Revenue Account, but such items of general interest as details of capital expenditure and provision for research are still not separately listed. Individual salaries and artists' fees are not published. Nevertheless, the Postmaster-General has stated that he does not possess more complete information.[135] The power to examine accounts has been used only once, when in 1931 the Corporation requested an increased share in licence revenue.[136] This is in marked contrast with the situation before 1927, when Post Office control over the Company's finance was very close.[137]

[133] *Charter, 1936*, Cl. 14.
[134] *Ibid.*, Cl. 16(iv).
[135] 287 H. C. Deb. 5s. 855–6 (19 March 1934).
[136] 287 H. C. Deb. 5s. 360–1 (14 March 1934).
[137] *Crawford Committee, Minutes of Evidence*, File No. 1, Paper No. 6, p. 12; Paper No. 16, p. 22.

In addition to amplification of the published Revenue Account in the form actually adopted for 1935, the Ullswater Committee recommended that major proposed items of capital expenditure be submitted annually to Parliament along with the Broadcasting Estimate.[188] The Government felt that "a fixed procedure for this purpose would entail the approval or disapproval by Parliament of the steps proposed, and would thus throw upon the Government a responsibility which has rightly been assigned to the Governors."[189] It therefore rejected the proposal, accepting the B.B.C.'s assurance that it "will always be ready to provide information which can be given to Parliament on contemplated developments."[140]

Flagrant financial abuse is probably sufficiently inhibited by the Postmaster-General's reserve powers and checks by the Governors over the permanent executive. It will be recalled that at least one member of the Board has always been particularly experienced in matters of finance. On the other hand, publication of more specific accounts would be in keeping with the Corporation's public position and undoubtedly endow it with a greater degree of general confidence. The Government rightly condemned advance approval by Parliament of B.B.C. capital expenditure as an infringement of its proper independence. There is no simple economic criterion for allocating funds between revenue and capital in this field, and so long as total income is limited by external authority both amount and distribution of capital expenditure should be determined by the Governors. Retrospective publication of the details, however, would in no way undermine that independence. The B.B.C. is a highly sheltered monopoly; the air of mystery with which it tends to shroud itself creates widespread doubts of its good faith. Publication of expenditure on individual programmes would doubtless lead to even more controversy than already surrounds the Corporation, but it could without injury to itself present accounts at least as detailed as those of the London Transport Board. Blatantly excessive salaries, or suspicion of them, would be prevented by publicity, which would also offer special advantages in the general position of the staff.

[188] *Report*, Par. 74.
[189] 314 H. C. Deb. 5s. 877 (6 July 1936).
[140] Cmd. 5207 of 1936, p. 10.

Lord Clarendon, while Chairman, once compared the B.B.C. with a private company, asking why it should furnish a more detailed reckoning than such companies are compelled to give.[141] It should always be remembered that the B.B.C. has special responsibilities as a public corporation. It would be well advised to allow the public which supplies the revenue a more exhaustive insight into its application.

4. *Administration*

In law, as has been said, the Governors constitute the Corporation. The actual conduct of the broadcasting service, however, is carried on by the executive staff, over two thousand in number, under the leadership of the Director-General, Sir John Reith. Broadly speaking, there are two possible schemes for *de facto* apportionment of authority between the Executive and governing body of a public corporation. In the case of the Port of London Authority, as we have seen, members of the Board, acting through committees, exercise a close supervision over all executive action, except routine detail. Initiative in matters of policy, too, comes at least as frequently from them as from permanent officials. The B.B.C. follows the alternative or " trustee " type. In his report on South African broadcasting, Sir John has outlined his conception of the desirable division of responsibility, which may be taken as descriptive of the British system in practice:[142]

> Assuming that the Members are individuals of high standing in the community, experienced in dealing with men and affairs and of wide general interest, they would engage, and largely depend on, their experts in particular fields, and they should be able to devolve in large measure upon their Chief Executive. In fact, without derogation from the supreme and absolute authority vested in them, they should, in terms of their confidence in the Chief Executive and his expert staff, be able to function as trustees, able however to intervene in any way, at any stage and on any matter. But a great deal is bound to depend upon the Chief Executive.

As successor to the Company Directors, the Board exercises only general supervision. There are full meetings fortnightly,

[141] 72 H. L. Deb. 5s. 840 (30 January 1929).

[142] Reith, *The Union of South Africa — Broadcasting Policy and Development*, Report to the Prime Minister of the Union, November, 1934 (typescript), Par. 39.

while the Chairman concerns himself more closely with the service, ordinarily being in his office at Broadcasting House several days during the week. Under the Charter [148] members are entrusted with appointment of all executive officers and have complete power of removal, subject to provisions of contracts between Corporation and officers. In practice they are intimately concerned with the choice of high officials, Controllers, Regional Directors, Branch Heads, and the like, although initiative in appointment rests with the Director-General, while lesser members of the staff are appointed by senior officers. The most important salaries, also, are subject to positive action by the Board.

In matters of policy, their position is secondary. They devote careful attention to fundamental questions like the Regional System, Empire Broadcasting, and television; their formal approval, or at least that of the Chairman, is obtained for important programme material. Controversial series of talks are considered at the fortnightly meetings. Initiative in all these fields, however, with only the rarest suggestions from individual Governors, springs from the executive. Financial supervision is also limited; the Board is submitted reasonably detailed quarterly accounts and must approve in advance estimates of expenditure, but in the ordinary course of events this action is nominal.

It must be remembered that the broad lines of programme and engineering policy were laid down, largely by the present Director-General, before the service was transferred to public control. At the end of 1926, the first Governors-designate made an exhaustive survey of the Company's organisation, finance, and policy, and registered their general approval.[144] The course of development has on the whole remained unbroken. The present Director-General and Deputy Director-General have held their posts at the head of the broadcasting executive for over fourteen years, while Governors have on the average been in office only four. It is not surprising, therefore, that gubernatorial influence is comparatively slight.

The importance of the Governors and weight of their responsibility lie more in their reserved *de jure* powers than in those ordinarily exercised. At meetings of the Board, the Director-Gen-

[148] *Charter, 1936,* Cl. 7.

[144] Lord Clarendon, in 14 *Radio Times* No. 170, p. 5 (31 December 1926).

eral, although not a member, is always present, and other senior officials may be called in at will. Governors make it their concern to sound public opinion, in so far as they may come in contact with it in the ordinary course of their lives, for criticism and suggestion, and the slightest ground of complaint may be traced by them to its source in the operating machine. Their functions have been described as "generally legislative," in contrast with the "particular administrative" duties of the executive,[145] but this picture is somewhat misleading. A closer analogy might be drawn between upper members of the staff and a Cabinet supported by a single party Parliament. Not only do the senior officers supervise administration; they initiate legislative policy as well. The Board supports them as a matter of course and would reverse them only on an absolutely fundamental question of principle. At the same time, formal responsibility of the Governors is clear, and on occasions of acute public criticism, the Chairman speaks for the Corporation.

The most striking feature of B.B.C. organisation is the bifurcation of programme work under two Controllers, one for Programmes and one for Administration. It was introduced in definite form only in 1933, although gradual modification in that direction had been in progress for several years, in order to aid in devolving some of the Director-General's routine activities and in general to reduce the strain of administrative activities on the "creative staff." In 1934, of the 63,000 hours aggregate transmission time from all stations, 12,400 were devoted to originated programmes; there is hence a tremendous drain on programme resources. It was hoped that by relieving this side of the staff from executive work, turning it over to co-ordinate administrative colleagues, the Corporation might obtain maximum efficiency from both sections.

The active agency for formulation of B.B.C. policy is the weekly meeting of the Director-General, Deputy Director-General, and four Controllers,. with various Branch Heads. Co-ordination of programmes in their broadest aspects is effected by a Programme Board, including the Programme Controller and varying numbers of Branch Heads on his side, with the addition at regular inter-

[145] W. E. Gladstone Murray, *National Radio in Canada — A Survey*, July, 1933 (mimeographed), p. 6.

vals of Regional Directors. Other departments may be represented as desired. The relation of London headquarters to the Regional Centres is a matter of especial interest, but better considered after description of the Regional System proper.

About two-thirds of the staff are employed in London. The work is almost entirely technical, clerical, and — since broadcasting may claim the title " profession " — professional. They are not connected with the Civil Service, and the Chancellor of the Exchequer was in error in stating in 1931 [146] that salary reductions would be made in that year on the scale applied to the Service. A high official of the Corporation has set forth as necessary qualifications " wide educational equipment, comprehensive sympathies, high initiative and a special sense of devotion." [147] A positive and successful attempt has been made to secure university graduates. The personnel is predominantly youthful, and contains members of considerable original artistic talent, particularly in the field of radio drama. At the same time, dangerous political opinions are considered disadvantageous, and the programme staff is not permitted to engage in political controversy. The staff is non-unionised. Sir John Reith has indicated that he expects interest in the service to compensate for a lower scale of remuneration than in corresponding commercial posts, although in senior positions salaries compare very favourably with those of the higher grades of the Civil Service. The Director-General is said to receive £6,500.[148] A regular retirement and contributory pension scheme has been in operation from the beginning. The novelty of broadcasting has made it impossible always to draw professional experts ready made from the outside, but with the development of wireless technique, an " expertise " is being created, partially preserved within the organisation by promotions.

Recruitment to this new service was of necessity of great difficulty during the early years, and it has thus far been left entirely unsystematised. As vacancies occur or new posts are created, candidates are sought or make application largely through personal channels. Although direct evidence of abuse is lacking, it is clear

[146] 256 H. C. Deb. 5s. 1011 (17 September 1931).

[147] Murray, *op. cit.*, p. 8.

[148] H. Finer, " The Personnel of the Semi-Public Services," in W. A. Robson, *The British Civil Servant* (London, 1937), p. 154.

that such haphazard methods lend themselves to the malpractices of patronage and nepotism often present in private industry, against which it is the particular duty of a public corporation to provide. Growth of the B.B.C. from a small concern, the entire working force of which could be in direct contact with the Chief Executive and under his personal supervision, to a sizeable undertaking where individual administration is impossible, necessitates establishment of some more methodical recruiting technique. Increased size has also entailed unsolved problems of internal administration, reflected in nervous tension, insecurity of tenure, and widespread discord among the staff to a far greater degree than that imposed simply by the unusual nature of the service.

Public discussion of the unsatisfactory character of internal relations in the B.B.C. came to a head in 1936. A member of the Ullswater Committee has stated that "there was a certain amount of trepidation in our minds with regard to the staff. We were not quite sure whether everything was all right."[149] No direct evidence of abuse was received, but B.B.C. witnesses before the Committee were limited to Governors, the Director-General, Controllers, Regional Directors, and the Director of Music.[150] No unsatisfied member of the staff could have been expected to risk economic suicide by volunteering testimony, even assuming that he would have been heard. As all the evidence was taken in private, it might in any case have failed in its intended effect. Nevertheless, the Committee felt impelled to make a number of recommendations in this sphere. While accepting the conclusion of an independent investigation of B.B.C. recruitment, carried out in 1934 at the Corporation's request, that the unsystematic methods so far employed have resulted in "a fair field and no favour," it declared that "the existing practice leaves to its administrators the responsibility for avoiding patronage and prejudice," and advised that all vacancies be advertised in the future and that except for minor positions appointments be made by a selection board of B.B.C. officials together with a Civil Service Commissioner (or his deputy) and, possibly, an independent member.[151] The Corporation at first objected to this proposal, on the ground that associa-

[149] Mr. Clement Davies, at 311 H. C. Deb. 5s. 1023 (29 April 1936).
[150] *Ullswater Report*, p. 54.
[151] *Report*, Pars. 32–5.

tion with the Civil Service Commission would impair its independence,[152] but after a clear demonstration of Parliamentary sympathy for the reform it submitted to Government pressure and agreed to accept the recommendation in full.[153]

Remuneration, promotion, and security of tenure are still controlled exclusively by the Corporation. This accords with the principle of B.B.C. autonomy, but the recent Parliamentary debates showed widespread concern over the way in which these duties have been discharged. There have been frequent charges of excessive "red tape" in the internal administration,[154] not unconnected with the circumstance that two Controllers were at one time drawn from Army and Navy circles; it cannot be denied that the military mind seems out of place in an organisation with the breadth of scope of the B.B.C. Accusations of "dictatorship" occasionally levelled at Sir John Reith in earlier years[155] were revived in 1936 in no uncertain terms. One Member of Parliament termed the Corporation an "unlimited dictatorial autocracy";[156] another likened it to National Socialism, saying: "It has become an autocracy which has outgrown the original autocrat. It is a despotism in decay, and bears all the marks of that type of government."[157] The Ullswater Committee thought it necessary to recommend that apart from requiring members of the programme staff to refrain from prominent public part in matters of controversy, the B.B.C. should have no control over their private lives.[158] Rumours were repeated on the floor of the House of Commons of favouritism in promotions and pensions, and of interference with telephone conversations and private correspondence.[159] It was said that the Corporation had discouraged formation of representative staff associations.[160] Suspicion was aggravated by

[152] Statement of the Governors of the B.B.C., in *The Times*, 17 March 1936.

[153] 318 H. C. Deb. 5s. 2753 (17 December 1936).

[154] For example, in the *Daily Herald*, 8 March 1934; Mr. Oliver Baldwin, reported in the *Daily Telegraph*, 7 March 1934; R. Postgate, *What to do with the B.B.C.* (London, 1935), pp. 15–22. This little book, while written with a pronounced anti-B.B.C. bias, contains considerable justified criticism.

[155] Postgate, *op. cit.*, p. 20, and in 13 *Time and Tide* 650 (11 June 1932) and 1375 (10 December 1932).

[156] 311 H. C. Deb. 5s. 974 (29 April 1936).

[157] 318 H. C. Deb. 5s. 2740 (17 December 1936).

[158] *Report*, Par. 39.

[159] 318 H. C. Deb. 5s. 3760–2 (17 December 1936).

[160] 311 H. C. Deb. 5s. 977–8 (29 April 1936).

circumstances attending the lawsuit of Lambert *v.* Levita, where the Corporation had tried to dissuade the editor of *The Listener* from prosecuting an action for slander, in which he was later successful. The case was felt to be merely one outstanding example of needless meddling by the B.B.C. in personal affairs of its employees.

Most of the specific charges adduced against the B.B.C. have been satisfactorily answered. A special board of inquiry appointed by the Prime Minister to investigate allegations arising out of the Lambert case found no dishonour on the part of the Corporation or of Mr. Lambert.[161] Its report, however, indicated that staff administration was insufficiently organised, that responsibility was not clearly located, that a " tradition and technique " in this relation should be developed, and that both Civil Service and large business organisations might provide lessons from which the B.B.C. could profit. Speaking through the Assistant Postmaster-General, the Corporation denied the existence of victimisation, favouritism, and telephone and wire-tapping.[162] It also announced action designed to encourage staff associations. None the less, more positive action is essential before conditions can be wholly satisfactory. The atmosphere of Broadcasting House has been charged with distrust and uncertainty; reform is long overdue.

In addition to more methodical recruitment, improvements may be made in security of tenure, conditions of promotion and remuneration, and machinery for airing staff grievances. The Ullswater Committee mentioned specifically only the last point, remarking that informal consultation with superior officers, together with a right of appeal to the Director-General, was insufficient, and that " the Corporation should make it clear that it will provide all necessary facilities for any representative organisation, whether a single staff association or smaller bodies representative of appropriate groups, which its employees wish to set up."[163] In the appointment of a special Director of Staff Administration, the B.B.C. has finally taken the initial step in this direc-

[161] *Report of the Special Board of Inquiry appointed by the Prime Minister to inquire into certain statements made in the course of the recent case Lambert v. Levita, affecting the British Broadcasting Corporation,* Cmd. 5337 of 1936.

[162] 318 H. C. Deb. 5s. 2785–8 (17 December 1936).

[163] *Report,* Par. 38.

tion,[164] with the prospect of marked improvement in the temper of its employees. For the technical and clerical staff there seems no reason not to provide systematic recruitment and promotion by open competitive examination on the Civil Service model, with access to personnel reports.[165] Security of tenure for the programme staff might be extended beyond the three-month notice of dismissal now given. Publication of all salaries would tend to remove discrimination and would at once destroy the major part of the gossip and jealousy that pervades the B.B.C. like a plague, without injuriously weakening the Governors' independence. Problems of personnel are inevitably more acute in broadcasting than in other fields occupied by public corporations, but the B.B.C. has thus far made insufficient efforts toward their solution.

Administrative machinery, particularly in a moderate sized concern like the B.B.C., must always be viewed in the light of leading personalities engaged in its operation. British broadcasting has been peculiarly subject to the personal influence of a single man. Trained as an engineer, Sir John Reith came to the Broadcasting Company at its inception and has remained in charge of the executive organisation throughout its initial period. A man of unusually strong will and fixed principles, he has taken the broadest view of the possible place of broadcasting in the national life and has striven for general acceptance of that view. While it would no longer be true to say that the B.B.C. is under the sway of a single individual, the present condition of broadcasting in Great Britain, both in internal administration and general policy, must for better or worse largely be attributed to the personality of the Director-General.

5. *The Broadcasting Service*

A. Technical

In the words of its Charter, it is the primary object of the B.B.C. "to carry on a Broadcasting Service within Our United Kingdom of Great Britain and Northern Ireland, the Channel Islands and the Isle of Man."[166] It took over from the Company in 1927 one

[164] 318 H. C. Deb. 5s. 2753 (17 December 1936).

[165] Cf. W. A. Robson, "The British Broadcasting Corporation," in W. A. Robson (editor), *Public Enterprise* (London, 1937), pp. 88–9.

[166] *Charter, 1936*, Cl. 3(a).

high power (25 kilowatt) transmitter, Daventry 5XX, nine 1½ kilowatt "main" stations, and eleven 200 watt "relay" stations. Population coverage was about 80 per cent, but alternative programmes were only very rarely obtainable on inexpensive apparatus.[167] The problem before the Corporation was "to give every listener in the British Isles an uninterrupted service and the easiest selection between as many programmes as possible."[168] A reasonably simple set was taken as the standard of receiving apparatus. To this end, B.B.C. engineers devised the so-called Regional System of programme distribution, which envisaged division of the country into five convenient areas, with a twin station near the centre of each, broadcasting alternative programmes on different wave-lengths, and with aerial powers of thirty to fifty kilowatts.[169] A common "National" programme was to be radiated from one of the transmitters in each area, while the alternative "Regional" programme was to reflect local life and interests. Interconnection of all stations by permanent land lines would allow "simultaneous broadcasting" whenever desired. Diffusion of the alternatives from single geographical locations permitted the most facile selection, as it ensured the greatest possible equality of signal strength for the two programmes over the whole of the service area.

The Regional System was brought into operation over a period of six years, gradually displacing previous low power arrangements. It brought a choice of two and sometimes three programmes to a fair proportion of listeners. In a few large areas, however, notably Northern Ireland, the mountainous districts of North Wales and the Scottish Highlands, Cornwall, parts of the South Coast, East Anglia, and North-East England, reception was still difficult and often subject to interruption. A partial remedy for these defects was effected in 1934 with the opening of an ultra high power (150 kilowatt) station at Droitwich, which released a number of wave-lengths formerly used for the National programme in separate Regions. They have been transferred to new high power stations near Belfast, at Burghead in northern Scotland, and near Newcastle-upon-Tyne. Longstanding objection by both Welsh and West Country listeners to being included

[167] 8 *Radio Times* No. 98, p. 276 (7 August 1925).
[168] *B.B.C. Hand Book, 1928*, p. 61.
[169] *Ibid.*, pp. 57–69.

in the same Region, which provided a mixed programme containing items in both Welsh and English,[170] are finally within sight of being overcome by construction of a new transmitter in the South-West, near Plymouth, to serve the West of England, leaving the existing station in Somersetshire free to radiate exclusively Welsh programmes. Owing to the mountainous terrain, reception will remain difficult in North Wales, but this obstacle may be surmounted through new low power transmitters on a common frequency with the Welsh Regional station. These recent improvements have made it possible to constitute Wales and Northern Ireland as separate Regions, which now number seven in all.

On the side of programme distribution, therefore, the B.B.C. has introduced constant improvements, keeping pace with revision of international wave-length regulations and removal of Government restrictions, with the sole object of making a satisfactory service everywhere available. Optimum utilisation of resources has been possible only because of the Corporation's monopoly and financial independence, which have made it unnecessary to set one station in competition against another. The technical advantages of a broadcasting monopoly are demonstrated to their fullest extent in connection with geographical coverage.

Under the old Charter the B.B.C. was under no obligation with respect to Empire broadcasting, but for reasons of prestige, sentiment, and international rivalry it took an interest in it from the outset. Although financial support from Dominions and Colonies was lacking, the Corporation established in 1932 a regular service entirely on its own responsibility, trusting that the future might bring material co-operation from Empire listeners. It is now provided for over sixteen hours a day, radiated from three short-wave directional transmitters at Daventry over aerials designed to give advantage in reception to that part of the Empire where it is for the moment the peak listening hour. Perhaps the most celebrated achievements of the B.B.C. have been its Empire broadcasts on Christmas Day, and during the Royal Silver Jubilee of 1935 and Coronation of 1937. The Ullswater Committee laid considerable stress on this aspect of B.B.C. work, particularly in view of short-wave English language broadcasts from foreign

[170] Cf. *Ullswater Report*, Pars. 26–9.

countries, notably Germany.[171] The service is now specifically authorised.[172]

Television was of course also not mentioned in the first Charter or Licence,[173] but the B.B.C. has kept in close touch with developments in this field. Experimental transmissions of the low definition type were begun in 1929, and more recently with high definition apparatus. The Selsdon Committee on Television of 1934–35 recommended that the B.B.C. accept responsibility for operating a regular service,[174] which was initiated from Alexandra Palace in London in November, 1936, for two hours daily.

Engineering research plays an important part in the technical service. It is in the hands of a special branch under the Chief Engineer. Investigation has been carried on in general transmission quality, design of transmitter valves, microphone improvements, programme recording, studio acoustics, use of common wave-lengths, aerials, and short-wave transmission, in part with the co-operation of private companies and Government Departments. The B.B.C. also aids Post Office engineers in an effort to eliminate electrical interference with reception, and has been represented on a committee of the Institution of Electrical Engineers set up to study this problem.[175]

However frequent may be complaints on the matter broadcast, the quality of transmission and reception has been generally approved. On the technical side, British broadcasting is recognised as setting a high standard.

B. Programmes

Given a reasonable standard of technical excellence, any critique of the B.B.C. must be based on its broadcast programmes. As a monopoly unable to delegate the responsibility of programme building, it has had to lay down, consciously or unconsciously, certain guiding policies for their construction. It has been frequently reiterated by Sir John Reith that the primary function

171 *Report*, Pars. 115–22.

172 *Charter, 1936*, Cl. 3(b); *Licence, 1936*, Cl. 4(1).

173 It has been included in the 1936 *Charter* (Cl. 3(a)) and *Licence* (Cl. 2(e)).

174 *Report of the Television Committee* (*Selsdon Report*), Cmd. 4793 of 1935, Par. 39.

175 For the *Report* of this Committee, cf. 79 *Journal of the Institution of Electrical Engineers*, No. 476.

of the broadcasting service must be entertainment — "to bring interests and pleasures where they were deficient before."[176] At the same time, the unique position of the Corporation as sole controller of an unprecedentedly powerful instrument for distribution of sound, whether it be music or the spoken word, to the entire citizen body — an instrument comparable only to printing — has been held to invest it with definite responsibility for the advancement of general culture. In Sir John Reith's words, it must "carry into the greatest possible number of homes everything that is best in every department of human endeavour and achievement."[177] A constant attempt has been made to intermix culture and entertainment, in order progressively to raise the public taste and enable general enjoyment to be afforded by that higher quality of artistic accomplishment appreciation of which was formerly limited to a select few.

It is clear that with such ultimate objects in view, it cannot be the avowed design of the B.B.C. to "give the public what it wants." "Few know what they want," it has been said by the Director-General, "and very few what they need. There is often no difference. . . . In any case it is better to overestimate the mentality of the public than to underestimate it."[178] If a tabulation of programme preferences of all listeners could be successfully obtained, the actual allocation of material would no doubt be found weighted in the direction thought by the B.B.C. executive to be that of higher culture. Mr. Charles Siepmann, the former Director of Talks, has said:[179]

> Even after ten years it is almost certain that a popular vote on the apportionment of time to this or that item in broadcast programmes would sweep away much, if not most, of what is most significant in the achievement of the B.B.C.

To a large degree, the selection of programme matter must be arbitrary, but some pains are taken by the Corporation to estimate the acceptability of its broadcasts and their reaction on listeners. Programme correspondence is encouraged, and totalled some

[176] Sir John Reith, reported in *The Times*, 18 May 1933. Cf. also his speech reported in *The Times*, 23 June 1928.

[177] *Broadcast over Britain*, p. 34.

[178] *Ibid.*

[179] 40 *Radio Times*, No. 419, p. 527 (8 Sept. 1933).

160,000 letters in 1935, besides 25,000 in connection with the Empire Service. After careful sorting and analysis, a précis of criticisms is circulated among appropriate members of the staff. Nevertheless, their value is recognised to be severely limited; it has been estimated in the United States, for example, that the quality of such letters is " heavily weighted by responses from lonely people, the very aged, the very youthful, invalids, hero-worshippers, and mischievous children." [180] Only a concentrated outburst of disapproval or resentment at a given item is likely to be of practical effect; positive suggestions have little weight. Encouragement of letters is motivated at least as much by a desire to cultivate good will of listeners as for their possible influence upon programmes. Advice from listeners' societies is generally not considered representative. The B.B.C. has welcomed regular press criticism, but the standard so far attained by radio correspondents has been, with a few outstanding exceptions, unfortunately low. A portion of press comment on broadcasting, moreover, is open to suspicion of motives other than the best welfare of the service. Some of the more popular dailies have held ballots or programme preferences from time to time; [181] the reliability of their evidence is partially vitiated by the non-representative character of the population sample reached, by the technique of offering prizes for the most successful guesses as to order of popularity, and by necessary limitations of classification. On its own account the Corporation has never seen fit to initiate such a ballot, easily possible through the medium of the *Radio Times*. It may be felt that the method is so fallible that the value of its results would not be in proportion to possible embarrassment to the Corporation. Only in certain highly specific fields, like talks for farmers, have direct attempts been made to ascertain opinions of the portion of the public concerned. In 1936, conferences with " representative " listeners were inaugurated, and an official appointed " with the special task of undertaking research, on selective lines, into the habits and tastes of listeners." [182] In the sphere of education, for both schools and

[180] F. H. Lumley, *Measurement in Radio* (Columbus, Ohio, 1934), cited in 45 *Radio Times* No. 578, p. 371 (26 October 1934).

[181] Cf. 26 *Radio Times*, No. 335, p. 498, (28 Feb. 1930); 30 *Radio Times*, No. 381, p. 108 (16 January 1931); 31 *Radio Times*, No. 399, p. 438 (22 May 1931).

[182] *B.B.C., 10th Annual Report, 1936*, p. 18.

adults, there is direct liaison with the audience through Advisory Councils.

On the whole, the Corporation does not feel that consumers' demand in this domain is of the paramount significance sometimes assigned to it. Thus it was stated editorially in the *Radio Times,* after a *Daily Mail* programme ballot had indicated very low popularity for wireless plays:[183]

> But the Productions Director . . . has never been under any illusion as to the size of the audience attracted to his more serious efforts. . . . He impenitently admits that until the habit of listening with concentration becomes more general than it is at present, the audience for plays is bound to continue a small one. . . . As soon as the wireless play is generally regarded not as a substitute for the stage or screen play, but as a distinct form of art demanding a distinct form of approach on the part of the listener, the audience for drama will be as large as it is now faithful and enthusiastic.

A conscious effort is made in the course of the entire programme to include items for almost every possible taste, but it is supposed that any feature of high quality which follows the precepts of broadcasting technique will in time create its own public.

The time actually allotted to various categories, out of a total broadcasting period now amounting to about ninety-four hours per week, is shown in the table opposite, which compares a "typical winter month" of 1927 with the whole year 1936.[184] The most noticeable changes here revealed are an increase in serious music and drama and reduction in talks. Over the whole field diversity and balance are continuously sought, as among items of a given evening, day, week, and in certain fields like serious music, the entire year.

Introduction of the Regional System brought the possibility of alternative programmes for the ordinary listener, and with it new problems for the staff at Broadcasting House. To the doubled task of consecutive diversity and balance was added that of simultaneous contrast. No universal principle of contrast can be expounded, but the concept includes such general antitheses as speech against music, "high-brow" against "low-brow," or items requiring concentrated as against casual attention from the listener. A random

[183] 30 *Radio Times,* No. 381, p. 108 (16 January 1931).
[184] *B.B.C. Hand Book, 1928,* p. 70; *B.B.C. Annual, 1937,* p. 17.

selection from alternatives [185] finds a serious play set against light music, a light play against a symphony concert, a male chorus singing student songs against an historical tableau, dance music against a serious talk, and opera against variety. During the middle of the day less pains are devoted to ensuring contrast, and a large amount of light music is radiated from both National and Regional transmitters.

	1927		1936	
	%		%	
Music: Serious	10 02		14.67	
Light	11.85		32.32*	
Dance Bands	12.50		5.78	
Gramophone Records	1.27		8.08	
Variety	26.53†		5.92	
		62.17		66 77
Drama		1.69		4.30
Talks: News and Eyewitness Accounts	5.38		5.24	
Talks and Readings	0.95		7.38	
‡ Education	14.50		2.89	
		20.83		15.51
Religion		4.18		4.16
Children's Hour		7.40		8.08
Special Transmissions		3.73		1.18
Total		100.00		100 00

* Includes certain items classified as "variety" in 1927.
† Includes certain items classified as "light music" in 1936.
‡ Includes both school broadcasts and adult education talks in 1927, but school broadcasts only in 1936, when adult education and general talks were classified together.

It is the task of the Regional programmes not only to afford satisfactory alternatives to the National, but to reflect local characteristics and give expression to local talent.[186] No attempt of this sort is made in the London Region, since the metropolis is if anything overrepresented in the *ensemble;* the programme is designed by the same personnel as the National, simply as a general contrast, and draws from time to time upon Regional resources as well as the great aggregation of talent in the capital. From the

[185] In the week 3rd to 8th December, 1934.
[186] *The Times, Broadcasting Number,* 14 August 1934, p. vi.

end of 1934 different programmes have generally been radiated from 10:45 A.M. until 11 or 11:15 P.M.

For the other Regions there have been established administrative centres at Birmingham (Midland), Manchester (North), Edinburgh (Scottish), Cardiff (Welsh), Bristol (West), and Belfast (Northern Ireland), with subsidiary centres at Leeds, Newcastle, Aberdeen, Bangor, Swansea, and Plymouth. Broadcasting in each area is under the control of a Regional Director, with a Programme Director for creative work and Chief Executive Officer for administrative work, responsible to the four Controllers in London. Considerable autonomy in programme making is granted, as it is the function of the Regional staff to fill its own time so far as possible. A Director of Regional Relations was appointed in 1935 with the object of strengthening the position of the Regions as against the Head Office. Supervision is largely negative, in the form of approval of controversial talks and other matters involving general B.B.C. policy, but its exact extent is indeterminate. Funds are granted from London; the Regions must remain within allotments for quarterly periods, and individual fees are subject to central veto. Engineering matters are entirely centralised; like finance they constitute a horizontal plane cutting across the generally vertical geographical organisation.

Special Regional programmes are ordinarily transmitted for three to four hours a day, at various times between 4 and 10:30 P.M. Local broadcasts of national calibre or interest may be included in the general National or Regional programme. The time is devoted to music by local artists, choirs, and orchestras, of particularly high quality in Wales and the North, drama reflecting local life, talks of local interest, and numerous special features appropriate to the Region. Wales, Scotland, and Northern Ireland, as distinct national areas, are particularly favoured in this respect. Recent improvements in studio facilities should permit developments to eliminate many of the widespread complaints of excessive standardisation from London.

The Ullswater Committee noted an increase in recent years in the amount of Regional time devoted to material originating within the Regions, and commended this policy. It also recommended increased devolution of programme control.[187] It is not

[187] *Report*, Pars. 23–8.

clear that either the Committee or the B.B.C. have sufficiently appreciated the possibilities of internal competition, within necessary limits imposed from London, afforded by the separate Regional offices. Every attempt should be made to extend the scope of enterprise of their Directors, both by allowing ample funds and restricting central supervision to the minimum essentials of national broadcasting policy, quality of material, and programme contrast.

As a supplement to programme construction the B.B.C. endeavours to stimulate enhanced appreciation at the receiving end. Programmes are published weekly in advance in the *Radio Times,* with notes on the various items, and the Corporation attempts through its publications to persuade the public to choose its broadcasts carefully, to listen attentively and not excessively, treating the wireless as an object in itself rather than a background for other activities.

In the field of systematic programme building broadcasting again shows itself as a natural monopoly. A degree of centralised co-ordination seems essential to produce the harmony, balance, and contrast in a totality satisfactory to the numerous and diverse elements of a wireless audience.

Music

Over two-thirds of the total programme time is devoted to music of one sort or another. Easily adaptable to broadcasting purposes and free from difficulties of controversy inherent in applications of the spoken word, it has served as the major instrumentality of B.B.C. policy, for both entertainment and culture. Of light music and dance music little need be said. The Corporation sees no mission for itself in this connection, but their enormous popularity with the general public is incontrovertible, and they are supplied as a matter of course. In addition to the permanent Theatre Orchestra, Variety Orchestra, Military Band, and Dance Band are innumerable outside theatre and hotel combinations and cinema organists, whose performances are relayed in great profusion.[188]

[188] Factual material on B.B.C. programmes has been obtained from a study of the *Radio Times* from 1923 to the present. Since the advent of the Corporation, each year's work has been conveniently summarised in the *Hand Books,* 1928 and 1929, *Year Books,* 1930 to 1934, and *Annuals,* 1934 to 1937.

In the field of serious music responsibilities are assumed on grounds broader than listeners' desires. "To a large extent," says an eminent music critic, "the coming of wireless placed the musical destiny of this country in the hands of the B.B.C." [189] The Corporation's object, therefore, is to put before the public performances of high quality, including in balanced programmes all the great classics at least once a year, with full scope besides for the lesser masters and for contemporary efforts. In its fulfillment, material support has been given to established musical organisations in London and the provinces, in return for the right to relay their performances. In addition, the B.B.C. formed in 1930 a permanent full size Symphony Orchestra, as well as its large amateur Chorus, composed of members of choral societies near London, and small professional chorus. They supply a winter season of public symphony concerts and oratorio, a London Music Festival, studio concerts, and Promenade Concerts in late summer and for a fortnight in winter. Chamber music is broadcast about three times a week, and recitals very frequently.

British opera has received through the broadcasting service material aid of an unusual character. In 1930, at the prospect of the complete failure of the Covent Garden enterprise, the B.B.C. took a controlling interest in the shares of the Covent Garden Opera Syndicate (1930), Limited, exercising over it a degree of financial supervision. It subsidised the syndicate at the rate of £25,000 per annum, of which under a Supplementary Agreement £17,500 was granted by the Post Office out of surplus licence revenue.[190] After the financial crisis, the Corporation agreed to withdrawal of this special subsidy, and now carries the entire burden itself. Support is also given to Sadler's Wells, and performances have from time to time been relayed from abroad. Operatic broadcasting is somewhat unsatisfactory and offers only a limited appeal, but there is no likelihood of its abandonment.

The proportion of the wireless audience possessing even the slightest familiarity with serious music prior to the advent of broadcasting must have been very small. To a degree, therefore, programmes are directed toward this "far larger, less sophisti-

[189] E. Newman, in *The Sunday Times*, 15 October 1933.

[190] *Supplemental Agreement between H. M. Postmaster General and the British Broadcasting Corporation*, Cmd. 3884 of 1931, Cl. 1.

cated public, which is often hearing real music for the first time,"[191] and the supply of musical material is supplemented by direct educational activity in the form of talks and written articles. Comparison of programmes in 1924 and 1936 shows in the latter period an incomparably greater number of unfamiliar works and classics of a "heavy" character, and it is commonly agreed that the appreciation of good music has been widely extended.

In view of its position as a national institution, and under pressure from its advisory committee, the Corporation has treated British music with particular consideration. In 1932, for instance, such works occupied 24.4 per cent of its public symphony performances, as against 5.6 per cent for the other leading London orchestras.[192] Of contemporary music the proportion is about 80 per cent, and new works are often executed several times. Over half the tunes in the B.B.C. Band's repertory of dance music are British. Thus, although since an abortive attempt in 1926[193] no direct composition competitions have been held, the British composer is highly favoured — from the listener's view-point, indeed, probably too highly.

It was inevitable that broadcasting should create a degree of dislocation in the musical profession. The process has not always been free from controversy. The Incorporated Society of Musicians has frequently raised its voice against the B.B.C.'s treatment of its members,[194] and Sir Thomas Beecham has fulminated against the "monstrous monopoly of the air."[195] Objections were particularly strong when the Symphony Orchestra was formed, and it is sometimes argued that it should not perform in public. Fees in the early days of the Company were extremely low, and are not yet entirely free from complaint. Performers have objected to exclusive use in the studios of a single make of piano, substitution for which must be undertaken at their own expense. Institutions responsible for training musicians have questioned the reliability of the Corporation's method of audition and selection

[191] H. Matheson, *Broadcasting* (London, 1933), p. 144.

[192] 40 *Radio Times*, No. 511, p. 67 (14 July 1933). Cf. also 42 *Radio Times*, No. 540, p. 295 (2 February 1934).

[193] No prize was awarded. 13 *Radio Times*, No. 169, p. 746 (24 December 1926).

[194] Cf. reports of the Society's meetings in *The Times*, 2 and 3 January 1935, and the letter to *The Times*, 18 April, 1936.

[195] *The Times*, 2 October and 4 December 1934.

of artists.[196] In reply, the B.B.C. points to financial support given numerous outside organisations and the large quantity of individual employment.[197] The Ullswater Committee noted the importance of minimising the present difficulties of composers and performers, but suggested only that "if the lines of policy indicated continue to be followed and the desirability of avoiding hardship is kept systematically in view, the Corporation will have done its best for the musical profession."[198]

For the most part, troubles of musicians are due rather to the invention of wireless than to the authority which controls it, and also to entirely unrelated developments like the growth of the cinema. Minor musical organisations, especially in the provinces, have certainly suffered, but on a broader view it may well be that encouragement of a demand for music among a wider public has been relatively favourable to the artists' interests. Nevertheless, the existence of these charges emphasises an important responsibility of the B.B.C. It is by far the largest single musical employer in the country, and while most performers could hardly be said to be absolutely dependent for their livelihood upon broadcasting, it accounts in many cases for the greater share of their income. Over the careers of younger musicians, the Corporation exercises unequalled authority. Quite apart from its obligation to listeners, or rather in their ultimate as distinguished from their immediate interest, the B.B.C. must undertake a duty to the profession as such. It has indicated its willingness to accept this burden, but the fulfillment of the task by a monopolistic organisation requires the utmost care and skill in administration. Co-operation with existing professional organs like the various Colleges of Music, especially in recruitment of younger artists and apportionment to them of broadcasting facilities, as well as enlistment of more active advisory committees, could be fostered to a greater degree than is at present the case. Only common action of this sort can relieve the profession of its fear of engorgement by the strong and ever-growing broadcasting authority, and permit its happy development with the B.B.C. as wealthiest and most generous of musical patrons.

On the whole, musical broadcasting illustrates at its best the con-

[196] As in *The Yorkshire Post*, 25 May 1935.
[197] Cf. 38 *Radio Times* No. 484, p. 9 (6 January 1933).
[198] *Report*, Par. 99.

structive potentialities of a cultural monopoly. If the policy has been driven too fast or too far, its direction at least is sound. Greater satisfaction to the trained listener might be attained through extension of the advisory system to represent the interests of music as well as those of musicians. An expert critic notes too a certain sacrifice of performance quality to quantity of production,[199] but taking into account the resources at the Corporation's command, the accomplishment has been remarkable.

Variety and Drama

Variety, including light entertainment of every kind, has along with popular music been at the head of every programme ballot and given ample evidence of its predominant popularity. It includes revues, adaptations of musical comedies, " concert parties," and other similar special features designed primarily to serve as relaxation for " the large number of listeners who would frequent music halls if they could afford them." [200] The impossibility of differentiating among members of the audience, which often includes children, puts censorship in the interests of decency on more solid footing than in any other field; [201] the B.B.C. attempts to offend no one at any time. A too sensitive conscience on this point may unduly restrict the resources for entertainment.

Even more than music, variety broadcasting has led to trouble with the previously established industry. Fears of possible adverse effects on the popularity and financial position of the music halls led managers in the early days to forbid their artists the use of the microphone. A period of strife apparently closed by agreement in 1929 was reopened at the end of 1932 by a decision of the General Theatres Corporation prohibiting artists from broadcasting while engaged to appear at its theatres; [202] and relations are not yet entirely amicable.[203]

[199] E. Newman, in *The Sunday Times,* 22 October 1933. This view is also taken by an anonymous writer on " The B.B.C. and Music " in 6 *Political Quarterly* 519–29, but his appraisal contains a number of misstatements. For a more approbatory account cf. Newman, " A B.B.C. Inquest: III — Broadcast Music," in *The Spectator,* 5 July 1935, pp. 8–9.

[200] Matheson, *op. cit.,* p. 166.

[201] Cf. the apology by the B.B.C. reported in *The Times,* 24 January 1935, and Matheson, " Humour and Propriety," in *The Observer,* 27 January 1935.

[202] *The Times,* 24 December 1932.

[203] Cf. the dispute with the Variety Artists Benevolent Fund reported in *The Evening Standard,* 3 October 1935.

A characteristic side of broadcast entertainment is the Children's Hour, a feature dating from the first year of the old Company, the popularity of which was strikingly demonstrated by protest at its relegation in 1934 from National to Regional programmes.[204] Broadening of its scope to include a great variety of talks, plays, and music is significant of a general trend toward development of a new art of the microphone.

Nowhere is this trend better exemplified than in radio drama. This work has been in the hands of an exceptionally original and enthusiastic group of young men, left by the Corporation very much of a free hand in developing broadcasting's most characteristic contribution to art.[205] Its relatively slight general popularity, due inevitably to its highly experimental character and need for concentrated listening over long periods of time, has already been noted. Long plays are transmitted weekly, one evening in the National and once in the Regional programme, and occasional dramatic features of a less formal nature from time to time. Development of an audience is necessarily slow, but seems reasonably certain. It is to be expected, of course, that television will bring to this art new resources and notable changes in technique.

Talks

From the view-point of programme time or of simple popularity, broadcasts of talks are insignificant in comparison with the items already discussed. Music, drama, and the like, however, while involving important questions of policy and evoking their fair share of criticism and controversy, do not provide an acid test for the public corporation. The major objectives, recreational and cultural, are undisputed; the manner of their pursuit and means employed are secondary considerations, involving the constitution only in so far as it may prevent intrusion of extraneous influences into a service dedicated exclusively to the public interest. In the spheres of controversy, political, social, or moral, dispute is the very essence of the objectives themselves, and the use made of a

[204] Matheson, "The Children's Hour," in *The Observer*, 18 November 1934. Cf. also Matheson, *Broadcasting*, pp. 168–71.

[205] Cf. L. Sieveking, *The Stuff of Radio* (London, 1934). This book is an interesting discussion of radio drama by a regular producer of the B.B.C. Also 48 *Radio Times* No. 622, *Radio Drama Number* (30 August 1935); and *Radio Year Book, 1935*, pp. 99–105.

powerful instrument for the shaping of opinion is of the greatest consequence. It is here that the independence and impartiality of the B.B.C. are subject to the greatest strains, and here, if anywhere, that the constitution will show its defects.

Not all talks, of course, are controversial; as much time was devoted to them in 1927, under the ban on controversy, as in 1933. The field covered is a miniature of the whole of broadcasting, for both recreation and culture, but the qualitative scope is broader, ranging from recitals of adventurous experiences to " National Lectures " by highly qualified scholars. The general design is educational in the widest sense, intended to broaden the information and view-point of listeners most of whom have completed their schooling at the age of fourteen; it extends beyond the provision for formal Adult Education to be described later. An element of " entertainment " must be present in every talk if it is to attract an audience; some are directed primarily to this end, while over the whole range novel methods of presentation are being developed to help provide interest.

Criticism of current plays, cinema, and literature comes perilously close to the forbidden realm of advertisement, and has raised controversy related to the unique power of a broadcasting monopoly. In 1929, when Mr. James Agate served as B.B.C. dramatic critic, certain unfavourable comments led to representations by the Society of West End Theatre Managers and the Theatre Managers' Association contending, *inter alia*, " that the B.B.C., being a semi-national institution, their critic should conduct himself with circumspection." [206] While defending on principle its general policy and the integrity of its criticisms, the Corporation realised that in practice its influential position imposed in justice to the theatre a degree of restraint, so that in the future plays considered unworthy were left entirely without notice. In the case of the cinema, the problem was solved by a frequent change of critics, a conservative being followed by an enthusiast of more " advanced " views. Corresponding difficulties in connection with contemporary fiction arose in 1931, when a number of complaints were made of over-radical preferences on the part of the literary critics, a complaint, in reality, of bad morals. Peculiarly solicitous, as we have

[206] Mr. B. Albery, chairman of the executive of the Society of West End Managers, in a letter to *The Times*, 21 Nov. 1929.

seen, to avoid such charges, the B.B.C. decided "to substitute for its talks about books talks about tendencies in literature," [207] action said to be due to the refusal of its critics to delete references to certain authors. The decision inspired a vigorous protest from forty authors and publishers,[208] but was not reconsidered; the Corporation merely declared that "the range of programme material is kept as wide as is compatible with the particular and, in fact, unique circumstances of the service." [209] After several years, however, fiction reviews were restored as a regular feature of broadcast literary criticism, but were again dropped in 1936. The incident is indicative of the Corporation's desire to preserve its respectability under any conditions, and of limitations inseparable from its power. Where opinions vary as to the nature itself of "culture," the B.B.C. must either state all opinions or remain within the boundaries of agreement.

Similar limitations appear in another type of broadcast bordering on the controversial but not so treated, the topical talk. These are sometimes in the nature of an amplification of the simple news service through comment on current events by well-informed speakers. Thus, for example, Mr. MacDonald spoke in 1930 on the London Naval Conference and the Archbishop of Canterbury on the Lambeth Conference. More recently, this service was extended to include regular short talks in connection with the news, and in 1932 Mr. Vernon Bartlett was appointed as the Corporation's "foreign correspondent," broadcasting regularly on foreign affairs from London or the various Continental capitals. In principle, such talks are impartial, but, like all comment, they cannot escape a degree of bias. Thus, quite naturally, Mr. MacDonald in his talk assumed the desirability of naval limitation.

An analysis of the Corporation's activities in this field shows certain conscious *partis pris* which are taken for granted as beliefs appropriate to a British national institution, and opposition to which, although not entirely non-existent, is not entitled by right to the use of the microphone. In domestic affairs they are the monarchy, the constitution, the British Empire, and Christianity; abroad, peace sought through the machinery of the League of

[207] Leading article "Books and Broadcasting," *The Times*, 22 Dec. 1931.
[208] Letter to *The Times*, 22 Dec. 1931.
[209] Statement of the B.B.C., reported in *The Times*, 24 December 1931.

Nations, a doctrine implied by the B.B.C.'s official legend, " Nation Shall Speak Peace Unto Nation." It must be noted, however, that in recent years, when unqualified support of the League has become a less definite element of policy approved by all political parties, the Corporation has tended to place more emphasis on its alternative motto, " Quaecunque." [210]

In a topical broadcast in 1933, Mr. Bartlett expressed the view that Germany was justified in withdrawing from Geneva. Considerable protest was aroused, even reaching the House of Commons, where it was asked if the Postmaster-General " would take steps to ensure that broadcasts on foreign affairs were not out of keeping with his Majesty's Government's policy for the promotion of peace." [211] Shortly afterwards Mr. Bartlett left the B.B.C. for a position on the Liberal *News-Chronicle*. One of the Corporation's Governors later stated that " had Mr. Bartlett been willing to continue as the B.B.C.'s foreign expert and to reject the journalistic appointment offered him, we should have rejoiced," [212] but his retention is said to have been conditioned upon agreement to refrain from the expression of questionable opinions.

The attitude taken by the B.B.C. in this type of case seems justified, for, debarred both legally and morally from expression of editorial opinion, it must restrict political assumptions stated on its behalf to theses taken as axiomatic by practically the entire nation. When it employs a regular correspondent for broadcasts not labelled as controversial, his views are assumed to be those of the Corporation, and should be correspondingly restrained. If public affairs are to be subject to debatable comment, it is the duty of the B.B.C., as in the case of other controversial matters, to present all sides.

It will be recalled that under the original constitution, the Government felt unable to entrust to the Broadcasting Company any discretion whatever in regard to controversial broadcasts. An incident in the spring of 1923, when a speech on the threatened building lock-out was questioned in the House of Commons, evoked from the Postmaster-General, Sir William Joynson-Hicks, the opinion that " it is undesirable that the broadcasting service should

[210] The earlier motto remains on the title page of the *Radio Times*, but has been replaced by the later motto in the B.B.C. crest.

[211] 285 H. C. Deb. 5s. 1577 (12 February 1934).

[212] M. A. Hamilton, in *Harper's Magazine*, Dec. 1935, at p. 64.

be used for the dissemination of speeches on controversial matters." [213] Barring a debate on Communism in 1923 and a speech from each of the three Party leaders at the second General Election of 1924, the prohibition was absolute against " statements involving matters of political, religious or industrial controversy," interpreted by the Assistant Postmaster-General as including " any speech which is likely to offend or to be regarded as controversial by any reasonable section of the public." [214] The limitation was very severe; during 1926 such apparently harmless matter came under the Post Office axe as an address on Germany's entrance into the League of Nations, a description of the conciliation scheme for the Boot and Shoe Trade by the independent chairman of the Conciliation Board, and speeches at the seventieth birthday celebration of Mr. George Bernard Shaw.[215]

Criticism of this attitude was rife both within and without Parliament. The Sykes and Crawford Committees recommended a modification of the ban, the latter approving a moderate amount of controversy " if the material be of high quality, not too lengthy or insistent, and distributed with scrupulous fairness." [216] It was hoped that the transfer of the undertaking to a public corporation would be considered to justify increased discretion, but Sir William Mitchell-Thomson refused to accept this view. It was not until 5th March, 1928, after repeated pleas by the Corporation itself,[217] that the Prime Minister announced the withdrawal of the restriction, with the proviso: [218]

> The Corporation has been informed that the Government expect them to use the discretionary power thus experimentally entrusted to them strictly in accordance with the spirit of the Crawford Committee's Report, and that it is their responsibility to see that this is done.

The decision was welcomed at Savoy Hill, and the B.B.C. issued a statement of its proposed policy: [219]

[213] 163 H. C. Deb. 5s. 301 (24 April 1923).
[214] 199 H. C. Deb. 5s. 1640 (15 November 1926).
[215] 199 H. C. Deb. 5s. 1554 (15 November 1926); 196 H. C. Deb. 5s. 2460–1 (17 June 1926); 198 H. C. Deb. 5s. 1901 (27 July 1926).
[216] *Crawford Report*, Par. 15; *Sykes Report*, Par. 70.
[217] As at 10 *Radio Times*, No. 126, p. 391 (19 February 1926).
[218] 214 H. C. Deb. 5s. 812 (5 March 1928).
[219] *The Times*, 2 April 1928.

The new material made available will be introduced gradually and experimentally and no fundamental change in programme policy is intended in the immediate future. Controversy, political and economic, will be admitted on clearly defined occasions with adequate safeguards for impartiality and equality of treatment, the subject being dealt with in such a way that the main opposing views can be presented clearly contrasted and linked as closely as possible. Debates and discussions will be the normal procedure.

Relatively little of the controversy actually broadcast is political in the narrow sense; the Corporation has applied the obvious truth that differences of opinion often extend deeper than party divisions or even cut across them. The B.B.C. not only chooses its own subjects, but is completely responsible for the selection and order of speakers. In any given case, it is the object of the Corporation to present all widely held points of view, whether representing the stand of a political party or otherwise, in a reasonably fair order. An example in point is a symposium on "Causes of War," in 1934, where speakers and the general tendencies of their talks were to be as follows:

Dean Inge	Introduction
Sir Norman Angell	Peace through enforcement of international law
Lord Beaverbrook	Peace through imperial isolation
Prof. J. B. S. Haldane	Biological and scientific causes
Mr. Aldous Huxley	Psychological causes
Mr. Winston Churchill	Political causes (conservative)
Mr. G. D. H. Cole	Armament interests
Major C. H. Douglas	Economic causes (currency reform)
Sir Josiah Stamp	Economic causes (orthodox)
Sir Austen Chamberlain	Summary

Such a series is planned far in advance, and bases its claim to impartiality on the assumption that it will be heard in its entirety. The opening and closing speakers are usually chosen as persons of relatively moderate views.

There is in these arrangements a danger of excess artificiality, for in its efforts to maintain a fair balance among the welter of conflicting opinions, the Corporation may seriously confine its speakers and devitalise their talks of much of their inherent interest. Thus in the series outlined above, Professor Haldane, a

socialist, submitted a manuscript not on "scientific causes" of war, but on economic imperialism and the influence of arms manufacturing interests. Upon his refusal to rewrite the contribution, Mr. R. Money Kyrle was substituted for him. The incident created a mild furor. The *Daily Herald* published Professor Haldane's talk, with editorial suggestions of political bias at Broadcasting House; [220] Mr. H. G. Wells indicated his disapproval by the cancellation of a forthcoming address on another subject; [221] and a large number of distinguished Cambridge scientists published a formal protest.[222] From the professional broadcaster's point of view, the script submitted would have disturbed "the general balance of the series"; [223] from that of the scientists, "the public should have the right to hear the broadcast opinion of such an eminent man on so vital an issue, whether the treatment of the subject conform with the preconceived ideas of the B.B.C. or no." Charges of political bias seem out of place in this connection, for Mr. Cole was to speak three weeks later from the socialist angle, and was even permitted to insert in his talk the phrase: "as Professor Haldane would have said to you in the broadcast talk which he was not able to give in this series." The Corporation, however, is justifiably subject to a complaint of unfairness to the public in an unconscious distortion of opinion. If an eminent natural scientist holds that the causes of war are not "scientific," but economic, and the B.B.C. considers him a satisfactory speaker, it would seem that the public is entitled to hear his real views, not some forced misrepresentation in a statement of "causes" which may be considered by Professor Haldane to be secondary or nonexistent. This is particularly important when it is considered that the larger proportion of listeners probably hears only one or two talks in any given series. The near coincidence of the Haldane view in this case with that later presented by a political scientist would be of neither more nor less significance than the near coincidence actually given expression by Mr. Churchill and Sir Austen Chamberlain. The method adopted is not real impartiality, which would allow free expression by a series of speakers known to hold serious opinions on a given subject of interest to

[220] *Daily Herald*, 3 Nov. 1934.
[221] Report in *The Times*, 3 Nov. 1934.
[222] *Time and Tide*, 17 Nov. 1934, p. 1475.
[223] B.B.C. statement reported in *The Times*, 3 November 1934.

the public, but an artificial impartiality imposed by the Corporation. In practice, no doubt, the latter often more or less approximates to the former, but a tendency toward excessive professionalism remains a real defect of the B.B.C.

Closely related to this problem is that of censorship. With the exception of very occasional instances when speakers of high repute take part in a special series, all manuscripts must be submitted to the Corporation some time in advance and are subject to a degree of revision. Talks presented as non-controversial are reviewed to ensure impartiality; in the controversial field, however, it is officially stated that "censorship other than as a purely formal safeguard of good taste and as a means to better presentation, does not exist." [224] More specifically, "good taste" has been defined as involving the excision of "opinions ranging from the gratuitously offensive to the definitely libellous." [225] The quality of presentation may involve considerable changes in the manuscript of an inexperienced broadcaster, for microphone technique differs from that of either the public address or the written essay. Equal insistence is placed upon the relevancy of all material in a talk to the subject under discussion.

Public interest was focussed on this aspect of controversial broadcasting in the spring of 1934 by the case of Mr. Walter Ferrie, a working man scheduled to talk in a series called "The National Character." On coming to the microphone, he said that the B.B.C. had so altered his script that it was "impossible for me to give a talk without it being a travesty of the working class," [226] and consequently refused to deliver it. The text published in the Press [227] showed the elimination of certain bitter remarks on the household "means test," presumably considered gratuitously offensive, and contrasts between conditions in Great Britain and in Soviet Russia, considered irrelevant.

Whatever the merits of this particular instance, it is clear that the responsibility of the B.B.C. implies a degree of supervision, with the essential proviso that it is absolutely fair in its administration. The criterion of good taste is very elastic, and too much

[224] 11 *The Listener* No. 264, Supplement, p. xi (31 January 1934).

[225] 37 *Radio Times*, No. 481, p. 818 (16 December 1932).

[226] Report in *The Times*, 6 March 1934.

[227] The text was published in the *News Chronicle*, and in the *Daily Herald*, 6 March 1934, with the B.B.C.'s excisions in italics.

care cannot be exercised in applying it. The officials at Broadcasting House are probably in fact free from conscious bias in their highly delicate task, but they may fairly be said, in the happy phrase of the late Mr. Justice Holmes, to share certain "inarticulate major premises," [228] which are reflected in their desire that the body of opinion to be preserved from gratuitous offense be so-called "respectable" opinion. More dangerous in this respect than censorship in the narrow sense is censorship in advance, in debarring persons from the microphone for fear that they may be offensive to certain groups of listeners, or in imposing definite limitations before a talk is composed.

The Ullswater Committee approved the Corporation's record in regard to controversial broadcasts, saying: [229]

> In our opinion the B.B.C. has exercised the responsibility confided to it with outstanding independence and has handled the problems of presentation with wisdom. In the trust that this policy will continue, we make no special suggestions, except with regard to political broadcasting, but would leave to the B.B.C. the responsibility for choosing speakers and subjects, ensuring any necessary consultation, preserving an impartial and representative balance, and arranging that controversial opinions are expressed in a proper context.

On the other hand, it pointed out that no formal protection could be given to broadcasters against abuse of trust by the B.B.C.[230]

> It is clear that the B.B.C. with its monopoly of broadcasting in this country is in a position to exclude particular individuals from its programmes. It would for instance be possible to exclude a critic of B.B.C. programmes from ever obtaining an engagement to broadcast. The abuse of such power would tend dangerously to stifle public criticism, and we think that the B.B.C. should make it clear that it welcomes criticism and that on no consideration would it exclude any person from an opportunity of engagement merely because he had expressed adverse opinions on its activities.

One Member of Parliament has publicly alleged that he was excluded from the microphone because of criticising the Corpora-

[228] *Lochner* v. *New York*, (1905) 198 U. S. 45, 76.
[229] *Report*, Par. 86.
[230] *Ibid.*, Par. 40.

tion,[231] and there have been disturbingly frequent rumours of a broadcasting blacklist.

It is impossible to lay too much stress on the necessity of guarding against an extension of censorship, which strikes at the most powerful constructive potentialities of broadcasting. The B.B.C. must itself distinguish, and persuade its audience to distinguish, between the anonymous speaker whose indiscretions may cast suspicion upon the respectability of the Corporation and the announced speaker who is understood to voice only his own opinion or that of his school of thought. In the contemporary world there are many widely held views which are unpalatable to "respectable" listeners, but no more so than reaffirmation of "respectable" views to listeners whose sympathies lie with the former. It is an elementary principle of liberalism that opinion must be so educated as not to take offense at differences of opinion. Apart from the purely moral sphere the Corporation would do well to exercise the utmost restraint in censorship on this ground. In the long run, the gravest danger to the broadcasting service is timidity.

In the realm of party conflict, British political tradition permitted only two alternatives for broadcasting; either there must be none at all, or it must be administered on an absolutely impartial basis. The B.B.C. has taken a strong view of the capacities of its instrument as "one of the great defences of the democratic state," holding that [232]

> broadcasting can in modern conditions exercise a greater influence over public opinion in matters of politics than can the Press, and it has already succeeded in providing a means by which the politician can regain the contact with the public that he had begun to lose.

Its new freedom was therefore gladly accepted in 1928, but political controversy has been introduced only very gradually. In contrast with the United States, where every major political speech and many minor ones are transmitted, British political broadcasting is still very sparse. Out-and-out party battles have enjoyed only a minor place at the microphone.

Much of this material is treated in the same fashion as general controversial talks. In such cases the speakers may be all politi-

[231] Lt.-Col. Moore-Brabazon, at 311 H. C. Deb. 5s. 981 (29 April 1936).
[232] 43 *Radio Times*, No. 556, p. 583 (25 May 1934).

cians, as in an early three-cornered debate on the Derating Bill, or experts may be brought in to supplement the purely political view-points. Thus during 1932 talks were broadcast on the " means test," national taxation, the tariff, and disarmament, a political debate in each case following introduction of the subject by a qualified non-partisan. Minorities within the Parliamentary parties are not neglected in this class of talk; in the series in 1935 on Indian Constitutional reform, for example, right wing opponents of the Government policy were given a place on a par with the official Opposition. There was also a talk by a disciple of Gandhi, but in ordinary circumstances political opinions unrepresented in Parliament are not considered.

The responsibility of choosing speakers and subjects has weighed heavily on the B.B.C. and tended to subject it to a good deal of invidious criticism. While it might be claimed that on other topics broadcasting officials are as competent as anyone else to gauge the state of public opinion, in this field the House of Commons is likely to consider itself a superior judge of outstanding issues of the day. A working arrangement was devised in 1929 whereby Party Whips were consulted by the Corporation in connection with all political broadcasts. Criticism, however, was not silenced, and became particularly strong after the general election of 1931. On its own initiative, therefore, the B.B.C. set up in 1932 a Parliamentary Advisory Committee. The Labour Party, desiring to choose its own representative, refused to participate,[233] but a Governor of the Corporation with Labour sympathies has said:[234]

> Yet the interests of that party are meticulously guarded by the representatives of the other two; so much so that it possibly gets more, rather than less, of its fair share of consideration just because its spokesman is not there.

The most important accomplishment of this Committee was arrangement of a series of political broadcasts in the autumn of 1933, when nine completely uncensored speeches were delivered by various party representatives. Five evenings went to the Government, three to Labour, and one to the opposition Liberals. No

[233] 274 H. C. Deb. 5s. 1840–1 (22 February 1933).
[234] M. A. Hamilton, *op. cit.*, at p. 62.

independent speakers were included, despite the Postmaster-General's statement earlier in the year that [235]

> it is in the interest of the nation, following the traditions of this country, that there should be, not a licence for subversive doctrines or propaganda against the functions of good government, but reasonable liberty for the expression of free opinion and thought. I say deliberately that minorities should have their place — individuals perhaps not at the moment attached or perhaps only lightly attached to any particular party should be chosen, if they have a useful contribution to make.

The three senior Privy Councillors in the House, Sir Austen Chamberlain, Mr. Lloyd George, and Mr. Churchill, complained to the Corporation's Chairman of unfair treatment. While no change was made in the arrangements, Mr. Whitley assured them that a precedent was not being formed.[236] The Ullswater Committee reported on this point that: [237]

> though we are far from implying that all broadcast treatment of political questions should be controlled by the political party organisations, we recommend that on the major political issues of the day there should be close co-operation and consultation between the B.B.C. and the authorised spokesmen of the recognised political parties. The B.B.C. must, of course, continue to be the judge of the amount of political broadcasting which the programme will stand, and while recognising in the allotment of time, according to current Parliamentary practice, the preponderating position of the main political parties, should allow adequate expression to minority views, however unpopular.

The danger that political broadcasting may fall exclusively into the hands of official party spokesmen is an obvious one; it is the duty of the Corporation to devise a means to circumvent it.

At the three general elections held since the Corporation's establishment, arrangements were made in consultation with Party Whips, but were in neither of the two earlier cases accepted as satisfactory by all Parties. In 1929, under protest from the Labour and Liberal Parties, pre-dissolution speeches were so divided that the Government had the right of reply to either opposition Party,

[235] 274 H. C. Deb. 5s. 1835 (22 February 1933).
[236] Correspondence published in *The Times*, 11 September 1933.
[237] *Report*, Par. 92.

being given four broadcasts to two each for the others. After the dissolution, the three were placed on equal terms, one woman and one man speaking for each, but the Government was in both series given the final position. The confused political situation in 1931 presented the B.B.C. with a very difficult task. Eleven election broadcasts were transmitted, divided as follows:

Government:	National Labour	3	
	Conservative	2	
	Liberal National	2	
			7
Opposition:	Labour	3	
	Liberal	1	
			4

Resulting complaints on both sides seem highly reasonable; Conservatives claimed that the B.B.C. had underestimated the predominance of their influence in the National Government,[238] and Labourites that, as the official Opposition, they had been denied a fair share of the total time.[239] At the last general election, in November, 1935, the twelve addresses were distributed in a manner which appears eminently equitable, namely five to the Government, four to the official (Labour) Opposition, and three to the Liberal Opposition. The opening and closing speeches were both made on behalf of the Government. In order to prevent abuse of the instrument through introduction at the last moment of some surprise issue, too late to be answered, the final campaign talk was broadcast several days before the poll.[240]

It will be noticed that minor political groups have been given no place at all; charges of discrimination have therefore been made from time to time by the Independent Labour, Communist, Fascist, and Co-operative Parties. Some more or less arbitrary definition must be laid down of the point at which a group becomes of sufficient consequence to be entitled to use of the microphone at election time; the rule so far applied is that unless a Party puts a reasonable number of candidates, fixed for the 1935

[238] Mr. Churchill, reported in *The Times*, 14 October 1931.

[239] Report of meeting of the General Council of the Trades Union Congress and the Executive Committee of the Labour Party, in *The Times*, 11 November 1931.

[240] The Ullswater Committee recommended general adoption of this practice. *Report*, Par. 94.

election at twenty, in the field, it is excluded. This decision is only temporary, and open to review with a change in circumstances. The Corporation would be glad to devolve responsibility for the entire problem of the allocation of election broadcasts upon someone more closely connected with Parliamentary politics, like the Speaker of the House of Commons, regulating itself only the total time devoted to them.[241] This would not relieve it of its charge in relation to general political controversy, where it must be responsible for the presentation of fair statements of both fact and opinion.

There remains a type of political broadcast which has in recent years been employed with increasing frequency, termed by the B.B.C. "non-controversial speeches delivered by virtue of office," as distinguished from "those which are essentially of a party character."[242] They include explanations by Ministers of Government legislation, and addresses on special occasions like the Prime Minister's annual speech at the Lord Mayor's Banquet or delegates' talks on international or imperial conferences. The Chancellor of the Exchequer has always explained his budget, but in the last four years has been followed by speakers representing both sections of the Opposition, and a final summary on behalf of the Government. Closely allied is such matter as propaganda for the "Buy British" campaign, or for refunding the War Loan, treated as national policy above politics. Under the Governments of 1924–29 and 1929–31, this class of talk was generally restricted to explanation of schemes about to be put into practice and occasional speeches at non-political celebrations. Even then, they evoked complaint from the respective Oppositions of the day. More recently, the practice has been extended to material far nearer the centre of the political battlefield, including a talk by the Prime Minister on unemployment, at Christmas, 1933, a series during the same year explanatory of the White Paper on India, and talks on the marketing schemes by the Minister of Agriculture. The Indian talks drew sharp protest in the House from both right and left wing opponents of the White Paper policy,[243] but

[241] The Ullswater Committee favoured such a course, in default of agreement among the parties. *Report*, Par. 93.

[242] B.B.C. statement, reported in *The Times*, 9 October 1929.

[243] 276 H. C. Deb. 5s. 6–7 (20 March 1933).

no other broadcasts discussing the reform were permitted until 1935, after the report of the Joint Select Committee.

That the Government of the day should as such always have a slight advantage in the use of broadcasting facilities is unobjectionable.[244] Policy actually to be carried into effect is of greater public interest and importance than policy supported by a temporarily powerless Opposition. The Government is for the time being the director of national policy. It is a moot question, however, whether the Corporation has indulged too far a temptation to give Governments undue support, a temptation particularly strong, as has been noted, if Parliamentary debates on B.B.C. policy are to be resolved with the aid of majority Whips. A degree of personal relation between senior officials at Broadcasting House and members of the Government, as well as leading Civil Servants, is also of some weight in preventing the B.B.C. from incurring serious Government displeasure. Nevertheless, the possibility of disagreement between Whitehall and Portland Place is desirable; it constitutes a real test of the Corporation's independence and of the practical soundness of its constitution. It is of some significance, therefore, that there has been broadcast, to quote one of the Governors: [245]

> a highly critical series on the Versailles Treaty, in the course of which a German, a Frenchman, an Italian, and an American each expressed his point of view — not much more to the satisfaction of the Foreign Office than were the unemployed talks to that of the Minister of Labour.

Whether, had the broadcasters foreseen the altercation which was produced by the unemployed talks, they would have persisted in their arrangements, may be doubted; at any rate, once begun, Government pressure was unable to persuade them to shift ground.[246]

Besides possible excess favouritism to Governments of the day, there are from time to time allegations of a continuing political bias on the part of the B.B.C. A House of Lords debate in 1931 was opened by an assertion from the Earl of Radnor that " there

[244] Cf. the *Ullswater Report*, Par. 89.

[245] M. A. Hamilton, *op. cit.*, at p. 63.

[246] Cf. report of statements by Mr. Hudson and the B.B.C. in *The Times*, 1 June 1934.

is a tendency on the part of those in charge of the B.B.C. to try to educate the people of this country towards Socialism and even towards Communism." [247] Eighteen months later, a socialist writer complained that Labour [248]

> is not given an equal voice at the microphone with the Government. It is not given a forty-sixty share. It is not given anything at all. But it is a vehicle of the casual insults and spleen of politicians who have fallen out.

In 1934, a resolution was submitted, although not carried, at the annual conference of the Labour Party suggesting that in view of the B.B.C.'s discrimination, the Party should secure the occasional use of a foreign station.[249]

It is only a partial reply to these charges to cite, as is sometimes done, criticism from both sides as evidence of impartiality.[250] The B.B.C.'s record indicates that, according to their lights, the controllers of policy have attempted to deal in a fair manner with the major sections of political opinion, even if minorities at the extremes have been somewhat slighted. Here too enter of necessity the " inarticulate major premises." At times of crisis they receive expression in the adoption of a " national " view-point. In the General Strike of 1926, the Broadcasting Company, while not commandeered by the Government, was subjected to severe official pressure, and trades union communiqués were given only a very minor place.[251] The attitude of the broadcasting executive itself is perhaps best indicated in the recital by the Managing Director of Blake's " Jerusalem " at the termination of the strike. Corporation policy is much the same. In 1931, the Prime Minister, speaking on the formation of the first National Government, made a plea for national solidarity; Professor Henry Clay, associated with the Bank of England, talked on " The Gold Standard "; and Sir Arthur Steel-Maitland on " The Crisis: How you can Help." To be sure, as a national institution, the B.B.C. is justified in com-

[247] 80 H. L. Deb. 5s. 449 (19 March 1931).

[248] R. W. Postgate, in 13 *Time and Tide* 1087 (8 October 1932).

[249] Report in *The Times*, 4 October 1934. For a similar resolution in 1933, cf. *The Times*, 15 May 1933.

[250] As by Sir Kingsley Wood, at 274 H. C. Deb. 5s. 1843 (22 February 1933).

[251] 11 *Radio Times*, No. 138, p. 329 (21 May 1926).

bating the perils of a genuine national emergency, but, as a former Talks Director of the Corporation has noted: [252]

> The trouble with emergencies is that they are apt to become chronic; and an opposition which will submit with becoming grace to one or more appeals for national solidarity by the leader of the government may easily become restive if such occasions become too frequent.

As an Opposition not sharing the "crisis" view in 1931, the Labour Party may have some justification in its resentment.[253] It is important that the Corporation should retain its independence of judgment and not submit too easily to a Government's claim of overriding circumstances. It would be better to await the use by the Postmaster-General of his powers under the Licence, giving the action full publicity and thus avoiding even the suspicion of bias on the part of the B.B.C.

In this field too a more serious danger than positive political prejudice is excessive timidity. Assailed from all sides with charges of unfair discrimination, the Corporation may take the easiest path of reducing political broadcasts to a minimum. It has, however, assumed a responsibility to the electorate, imposed by control of a powerful instrument for political education, which enjoins full exploitation of that instrument. As a young institution, having to establish its position as impartial apportioner of the ether, the B.B.C. has moved slowly. From 1928 on it has undertaken gradual expansion of this service, and should extend it more rapidly since confirmation of its Charter in 1936. Public safeguards must be found not in fear to take any positive action, but in a personnel sensitive to and appreciative of all shades of outside opinion.

News

In arranging its news service the B.B.C. has from the start had to contend with a Press fearful of reduced newspaper sales. Fortified with authority in its Charter to establish agencies of its own,[254] the Corporation has negotiated successively more favourable agreements, but its bulletins are still limited to the period after 6 P.M. Since 1930 four news agencies, Reuters, Press Association, Exchange Telegraph, and Central News, have supplied all their

[252] H. Matheson, *Broadcasting*, p. 102.
[253] 260 H. C. Deb. 5s. 2310–1 (11 December 1931).
[254] *Charter, 1936*, Cl. 3(g).

material unedited to the Corporation, besides a special Parliamentary, sports, and market service from Reuters. The Ullswater Committee noted the possibility of bias in selection of news by commercial agencies, but contented itself with repeating the agencies' own denial of any such allegation.[255] These sources are supplemented by direct official information and a very moderate amount gathered by B.B.C. employees; the material is then recast by the Corporation's editorial staff.

Strict impartiality is the guiding principle in the bulletins. Particular care is taken in Parliamentary reports, where equal time is devoted to Government and Opposition speakers. The style is officially declared to "follow the dispassionate model of the daily summary of news published by *The Times*."[256] In harmony with the policy of avoiding offence to respectable opinion, sensational and "unsavoury" items are omitted, as well as betting news. In recent years attempts have been made to enliven the news bulletins, which tended in their efforts at balance to be completely colourless, with electrical recordings of speeches and ceremonies, eye-witness accounts, and short topical talks by experts. Care is exercised to keep such talks impartial and to avoid an impression that the speaker expresses B.B.C. views. It is essential to maintenance of its position that the Corporation observe, as in the main it has observed, the Post Office ban on expression of editorial opinion.

Running commentaries on ceremonies and sport events had also to run the gauntlet of Press opposition, being entirely forbidden prior to 1927. The Football Association and certain individual clubs have sometimes seen fit to exclude B.B.C. commentators.[257] Such difficulties were largely by-products of the infancy of broadcasting, and have tended to disappear as it established a position of its own. Outside broadcasts of outstanding sporting and other pre-arranged events are now regular features, but under a strict copyright preventing public rediffusion. The possibility of transmitting Parliamentary Debates, while raised from time to time in the House of Commons, has never sufficiently appealed to any Government to obtain even a trial.[258]

[255] *Report*, Par. 81.

[256] *B.B.C. Hand Book, 1929*, p. 256.

[257] *B.B.C. Hand Book, 1930*, p. 143.

[258] 214 H. C. Deb. 5s. 1136–7 (7 March 1928); 248 H. C. Deb. 5s. 1753 (23 February 1931).

Religion

The policy of the B.B.C. toward religious and Sunday broadcasting is unique in its positive embodiment of individual convictions of the broadcasters themselves, particularly of the Director-General. In an authoritative statement, the Corporation has said:[259]

> From the outset, those responsible for religious broadcasting have chosen to regard religion as something more than a legacy of traditional beliefs which, being held by the vast majority of listeners, and varying in different sects, had to be recognised and dealt with as an item in the general programme demand. Such a view would justify Rationalist criticism of religious broadcasting. But they have been governed by the conviction that the religious impulse is the most vital force in human life, and that the highest expression of that force in relation to the community is found in the Christian Faith.

Application of this conviction has been justified by the B.B.C. as in harmony with the obligations of a national institution in a nominally Christian State, but was grounded on more personal considerations. "Perhaps we simply decided that the Christian religion was, or should be non-controversial," wrote Sir John Reith.[260] "The decision was made to do what we believed to be right, and because we believed it to be right."

The result has been devotion of a considerable portion of each Sunday to religious matter, supplemented by a brief daily morning service and at least one mid-week evening service. Besides such direct broadcasts, usually relayed from outside churches and cathedrals, the B.B.C. has recently transmitted religious instruction on a more intellectual plane, in such series as "God and the World through Christian Eyes," in 1933–34, and "The Way to God" and "Christianity in Action" in 1934–35. There are also special religious programmes for children. The various denominations, including the Roman Catholic, are represented in all the Corporation's religious activities, with the Church of England perhaps somewhat over-weighted in proportion to its representation in the country. It is felt by the B.B.C. that "comprehensive religious fare is now offered for all, and it is hoped that every type

[259] *B.B.C. Year Book, 1934*, p. 91.
[260] Reith, *Broadcast over Britain*, p. 192.

of listener may now be able to find in the Sunday programmes the spiritual help which he needs." [261]

Although in 1928 the ban was raised on religious as well as political and industrial controversy, the Corporation did not choose to exploit its new authority in this field. Only twice in fifteen years of religious broadcasting were tentative experiments made in allowing rationalists to express their views, namely Professor B. Malinowski, on "Science and Religion" (1930), and Professor Julian Huxley, on "What I Believe" (1934). In each case the greatest care was taken to minimise the degree of offense to more pious listeners.

Encouragement of religion has been expressed negatively as well as positively. It was said in 1930: [262]

> In spite of repeated protests from non-religious listeners [the B.B.C.] has put broadcast services outside the hours of customary attendance at church, and it steadfastly refuses to offer secular alternatives.

At that time, Sunday broadcasting was limited to the hours of 3:0 to 6:30 P.M. and 8:0 to 10:40 P.M. Under continued public pressure, as expressed particularly in the Press and to a degree by the Governors, the Corporation, after consultation with its Religious Advisory Committees, has filled the periods from 10:30 A.M. –3:0 P.M. and 6:30–8:0 P.M. It is still notable that at 8 P.M. on Sunday evenings, probably the peak listening hour of the entire week, broadcasts of a religious nature are transmitted in all programmes. Other Sunday broadcasting, moreover, has never included entertainment other than light classical music.[263]

After overcoming a degree of early opposition from certain churchmen who feared acceleration of the trend to declining church attendance, the B.B.C. has had active support from the profession. Its religious activities are administered in close co-operation with a set of Advisory Committees, Central and Regional, which consider broad questions of policy and recommend preachers. A Joint Committee of the Convocation of Canterbury expressed in

[261] *B.B.C. Year Book, 1934,* p. 94.

[262] 29 *Radio Times,* No. 370, p. 302 (31 October 1930).

[263] The Ullswater Committee recommended "that one of the alternative programmes should be of a lighter and more popular character than the other, and that the contrasting programme though in more serious mood should be of interest to a good proportion of thoughtful listeners." *Report,* Par. 100.

1931 " our grateful appreciation of the debt which is owed to the British Broadcasting Corporation for its determination that religion shall be given its due and proper place in its programme as a whole." [264]

It is very difficult to see how the Corporation's religious policy can be justified in its entirety. As evidenced by programme correspondence, these items are popular, although it must be recalled that correspondence is likely to be weighted in this respect. On the other hand, the choice of Sunday for advertising broadcasts from the Continent by British commercial firms indicates a considerable minority unsatisfied with the matter offered by the B.B.C. The lack of a non-religious alternative at 8 P.M. goes beyond satisfaction of a just demand from religious listeners and from an officially Christian community for exploitation of a new medium well adapted to religious ends; it tends toward its use for evangelisation, or, in its lowest terms, compulsion upon unwilling or indifferent listeners to hear religious broadcasts inspired by the broadcasting authorities' personal belief in their rightness, an attitude apparently infringing the prohibition of " editorial " expression on the part of the Corporation. Adoption of the policy demonstrates the possible influence of a Director-General with fixed convictions; its modification towards a lightening of Sunday broadcasts demonstrates the possibility, within the present constitution, of tempering the effects of such convictions.

Education

Work of the B.B.C. in the sphere of formal education is marked by devolution of a large share of responsibility upon Advisory Committees. The Central Council for School Broadcasting, formed in 1930 and greatly strengthened in 1935, contains forty-odd members, of whom fifteen are specialists nominated by the Corporation and the remainder representatives of educational associations and official Departments. The B.B.C. has relinquished to it the task of planning and executing programmes with its own staff, financed by an annual block grant and subject only to overriding demands of Corporation policy, finance, and programme

[264] *B.B.C. Year Book, 1932*, p. 223. Cf. also the resolution of the Convocation of Canterbury reported in *The Times*, 19 January 1933.

construction.[265] During 1936 no less than 6,407 schools received some portion of the twenty-five talks transmitted each week.

Broadcasting was first employed for organised adult education in 1928, on the recommendation of a committee presided over by Sir Henry Hadow.[266] Executive machinery at first comprised a Central Council and a number of Area Councils, which built up a remarkably large and faithful audience of wireless listening groups for series of talks broadcast at regular periods during the early evening.[267] Since 1934, however, when a small Advisory Committee replaced the Central Council, the B.B.C. has gradually reduced its systematic broadcasts in this field, absorbing them into the wider category of general talks. In view of the potentialities of broadcasting for the adult education movement in this country and the enthusiasm with which it was taken up after the Hadow Report, this alteration is to be deplored.

Supplementary to its educational broadcasts, the Corporation publishes a number of pamphlets, designed as aids to listening and study, and including talks syllabi and bibliographies. In 1929, at the suggestion of the Hadow Committee, it established a weekly periodical of high quality, *The Listener,* in which are preserved the more important broadcast talks in an illustrated form, with a small amount of original material and a section devoted to book reviews.

C. Public Relations

Subsidiary activities of the B.B.C. are concerned for the most part with maintaining contact with the listening public. Direct correspondence and its limitations have already been noted. In a number of special fields besides education, including religion, music, charity appeals, and spoken English, there are central and regional advisory committees appointed by the Corporation. In addition, a large and highly distinguished General Advisory Committee, presided over by the Archbishop of York, was appointed in 1935. Meeting only three times a year for a few hours in the afternoon, this body can hardly affect broadcasting in any way

[265] *B.B.C., 10th Annual Report, 1936,* p. 14.

[266] *New Ventures in Broadcasting — A Study in Adult Education,* being the Report of the Joint Committee of Inquiry (London, 1928).

[267] *Adult Education — Wireless Listening Groups,* Board of Education Educational Pamphlet No. 92, 1933.

other than by adding to B.B.C. prestige. The Ullswater Committee recommended establishment of similar committees in each Region, including laymen as well as specialists, and representing as comprehensive and varied backgrounds as possible,[268] but the B.B.C. has not yet taken steps to carry out this suggestion.

The Corporation's publications are an important instrument of liaison with the public. Their history is one of constant quarrels with the Press. An abortive boycott of free printing of wireless programmes led in 1923 to establishment of the *Radio Times,* a weekly journal now including not only detailed programmes, but annotations, articles on future broadcasts, and correspondence. With a circulation over one third the number of receiving licences, it is the chief source of publications revenue. *World-Radio,* formerly the *Radio Supplement,* was founded in 1925, over objections of the trade Press, to contain foreign programmes and technical articles, and was expanded in 1932 to meet the needs of Empire Broadcasting. Proposed publication of *The Listener* raised particularly strong protests. After lengthy negotiations the B.B.C. agreed to restrict original material unconnected with broadcasting to ten per cent of its contents, and so to limit advertising that no profits would accrue from its publication. It also declared that it had no intention of publishing any further periodicals, or books or pamphlets not pertinent to the broadcasting service.[269]

It is obviously to the Corporation's interest to be on good terms with the Press, for a concerted campaign of destructive criticism may adversely affect its status and prestige in the public mind. Continuous friction has come to a head from time to time in connection with both news bulletins and publications, and completely amicable relations are by no means yet established.

The Controller for Public Relations also organises publicity and propaganda for the B.B.C. Toward the close of 1935 a series of regular press conferences was instituted. All aspects of broadcasting activities are reviewed in the Corporation's *Annual.* Care is taken to reply to criticism and to defend the constitution against unfavorable comparison, particularly from American sources, with those of other broadcasting systems.[270]

[268] *Report,* Pars. 44–6.
[269] Report in *The Times,* 15 January 1929.
[270] Cf. the Supplement to 11 *The Listener,* No. 264 (31 January 1934).

The chronic struggle with the Press is only the most outstanding instance of conflict between the B.B.C. and private commercial interests. Difficulties with the musical and variety industries have been noted; television is bringing in its train further complications of the same nature. In the course of these disputes, reference is frequently made to the Corporation's advantageous position as a " State-supported institution." While not financially aided by the State, to the funds of which it actually contributes, the B.B.C. clearly depends for its existence upon a monopoly vested in it by State authority. To some extent, therefore, it must exercise restraint in its business dealings in consonance with its advantages. It should be remarked that the majority of commercial dislocations entailed by broadcasting are independent of the form of its administration. A possible exception of some consequence is the copyright on programme material which permits profitable publication of the *Radio Times*. If it were feasible to arrange payment of an equivalent sum from the Treasury share of licence revenue, it might well be advisable for the B.B.C. to relinquish its entire profit on publications, retaining the direct benefits to broadcasting by publication on the same non-commercial basis as *The Listener*.

B.B.C. programmes in their *ensemble* are characterised by one notable feature; though general lines of policy are settled after fifteen years, changes in detail, new experiments, and developments of technique are still frequent. As late as the autumn of 1934 a radical extension was made in quantity of alternatives and generally increased flexibility in programme building. The Corporation's staff is well aware that despite its rapid evolution in the past, the art of broadcasting remains in adolescence, if not in infancy, and continues to look to the future for steady improvement.

6. *Conclusion*

The public corporation has proved itself on the whole adequate to the problems of British broadcasting. It has provided a sound technical structure and a personnel devoted to the interests of the service as it sees them. The Ullswater Committee rightly praised " the prudence and idealism which have characterised its operations and enabled it to overcome the many difficulties which sur-

round a novel and rapidly expanding public service." [271] Nevertheless, it has been by no means free from defects. Flaws in the constitution, financial arrangements, and personnel administration have been noted in earlier sections. Serious complaints, however, all focus in the last analysis on two cardinal dangers: (1) that the executive in Broadcasting House may become out of touch with the real needs and desires of the outside body of listeners, and (2) that the vast potentialities of broadcasting for shaping opinion, for politics in the widest sense, may be inadequately used or positively abused.

The former danger the B.B.C. in its existing form has for the most part successfully avoided. The general programme policy has amply justified itself. Perhaps the amount of "uplift" in some material has been excessive; perhaps the standard of variety entertainment has fallen short of the highest attainable; perhaps the arrangement and editing of news reports have failed to estimate correctly the relative interest or importance of various items. The original Sunday broadcasting policy was almost certainly in direct conflict with widespread public demand, but the course of a few years has seen its substantial, although as yet insufficient, modification. These are, after all, matters of administrative detail, and the history of the B.B.C. affords promise of their adjustment. It is obviously impossible to devise a wireless programme satisfactory at any given time to everyone, or even satisfactory at all times to anyone. There is no authoritative basis on which to impugn the composition of B.B.C. programmes, and, above all, there can be no quarrel with the general principles of balance and contrast which lie at the forefront of the Corporation's programme construction.

Nor is the B.B.C., as critics have sometimes suggested, entirely divorced from the pressures of public opinion and the weight of popular demand. In its anxiety to avoid criticism, it probably sometimes goes too far in satisfying the demands of a portion of the Press. We have seen, too, that it gives some consideration to correspondence. In judging of this matter, it must be kept in mind that broadcasting perforce creates new tastes as much as or more than it satisfies pre-existing ones. This is particularly the case when programme material is novel to the great majority of listeners, as with serious music and drama. The only just criticism of a broad-

[271] *Report*, Par. 7.

casting authority in such fields would be on the ground that it failed to attempt to create what is agreed to be good taste, and it is exactly here that the B.B.C. is most free from reproach.

Extension of the machinery of advisory committees would help absolve the Corporation from suspicion of unnecessary aloofness. Such committees should be small and active, and be given a degree of publicity. If composed, for instance, of several musical or dramatic critics of high standing, invested, like the London and Home Counties Traffic Advisory Committee, with statutory authority, and serving the interests not of their professions but of their arts, they might do much to ensure a quality of broadcast material unexceptionably of the best standard that the necessary quantity permits. Lay committees might also be established. Experiments with public opinion might be made through programme ballots in the *Radio Times*. At the same time, the Press, by a constructive attitude in criticism of programme matter, could help to achieve the same end. Ultimate responsibility must remain with the broadcasting executive, but past experience affords no evidence of serious likelihood that it will be misapplied.

As regards the second and more compelling danger, the B.B.C. is not on as firm ground. The general foundations of talks policy are sound, but in their application certain questionable practices have arisen and the possibility of others has become evident. To achieve their full utility, broadcasts intended to instruct or guide public opinion must cover as broad a field as possible, must represent a fair selection of all responsibly held views among thinking people, must allow maximum freedom in the expression of such views, and must in the apportionment of times and subjects never prejudge or bias the issues. There is a special duty in political broadcasting — to give the Government its due place as the authority temporarily in command of the State, while at the same time maintaining a rigorous balance among all parties, including that of the Government, as parties, even when this may involve resistance to official pressure.

These criteria have not been uniformly satisfied. Too much care has been taken to avoid offense and suppress the " disrespectable," at the expense of omitting seriously held opinion. Distribution of time among political parties may in future be devolved elsewhere, but the broadcasting authority must itself answer for

the amount of freedom given the Government of the day, and the B.B.C. has probably been too sympathetic to official requests for use of the microphone. There have entered throughout effects of the " inarticulate major premises " of the staff, and there has developed a growing trend toward retreat into the safety of a timorous inactivity.

On whom do these responsibilities rest in practice? *De jure,* upon the Governors of the Corporation. The *de facto* division of power between Board and Executive, however, is such as to leave the burden of almost all decisions upon the latter. Personal considerations, the composition of the Board, and the understanding that they should restrict their activities to trusteeship, have all favoured concentration of policy formation upon the permanent officials. Within the executive, moreover, authority has been focussed at the top. In its actual operation, the vital judgments concerning the direction of British broadcasting are made by the Director-General, his Deputy, and the four Controllers of the B.B.C. It is submitted that this responsibility is too heavy for any six men engaged in full-time administration, and that added safeguards must be provided to ensure the full and just exploitation of broadcasting in the public interest.

New public safeguards should be created within the framework of the present constitution, on the existing bases of independent public control and monopoly. Commercial competition is ruled out from the start. The B.B.C., with all its efforts bent on employing available facilities to their limit, has hardly yet succeeded in achieving adequate geographical coverage. Only the strongest considerations could justify withdrawal of its control over one of the eight or nine high power wave-lengths. It is very doubtful that private competition would produce any improvement in general quality, while the difficulties inherent in regulating a monopoly's power in regard to controversial broadcasts would be seriously increased by the introduction of " duopoly." Only so great a multiplicity of authorities as would permit expression of all shades of opinion at any time would relieve the State of responsibility for providing against abuse, and such a solution, probably unworkable even in the United States, is on technical grounds alone quite inconceivable in this country.

A more feasible alternative recently put forward would establish

a separate public corporation in each Region, constituted like the B.B.C. and possessing complete autonomy for Regional purposes. In favour of this scheme, its author points out " the immense advantage of having several potential avenues of employment for artists and speakers, of introducing an element of rivalry among the programme-builders, of preventing as far as possible the exclusion from the ether of voices and views which ought not to be excluded." [272] On the other hand, it would be impossible to preserve the regular contrast and balance which are essential to a satisfactory service. The danger of an illiberal or biassed governing body would be intensified. The benefits of complete Regional autonomy could be secured by further devolution, which might extend to unfettered discretion in selecting artists and speakers. Until all other alternatives have been found wanting it would be unwise in the extreme to discard the enormous advantages of co-ordination. Abuse of the B.B.C.'s trust may at some time demand their sacrifice, but the balance has not yet tipped against the desirability of continued unified ownership.

How then is this public monopoly to be directed? Control by a Government Department or sub-department would be highly objectionable. The Minister in charge would have to answer for details of programme material on the floor of the House at question time. Individuals unsatisfied with the wireless fare, which includes at some time almost all individuals, would state their complaints and suggestions through their representatives at Westminster. Artists' contracts and fees would similarly be brought into the political arena. The Minister would tend to give way to organised onslaughts of any pressure group simply to avoid the discomfort of continuous attack. In brief, Parliament would become a huge general advisory committee for the broadcasting service, and that body is not especially qualified to represent the public in other than political matters, even if it could afford the necessary time. Broadcasts which were to the slightest degree controversial would probably be entirely abandoned. Even in the case of news broadcasting, suspicion that an event inimical to one party was described in a sympathetic manner, or omission of some item considered by a Member or some of his constituents to be deserving

[272] W. A. Robson, " The British Broadcasting Corporation," in W. A. Robson (editor), *Public Enterprise* (London, 1937), p. 83.

of mention, could become subject to debate. The probable result would be not so much healthy impartiality enforced by continuing criticism as cessation of all transmission of news, to the serious detriment of the public. In the political field, too, it is likely either that the Government would be unduly favoured, through the natural sympathies of the Minister and his realisation that even if pushed very far, his policy would be supported on a vote of censure, or that, in an effort to avoid any suggestion of bias, he would reduce such material to a minimum. It is significant in this respect that two Members have recently proposed restoration of the old Post Office ban on controversy.[273] Requests by other Departments for time for so-called " non-political " broadcasts, finally, would be almost impossible to refuse.

In all likelihood, direct political control would entail a lowering of the general programme quality while affording no solution whatever to the problem of political broadcasting. Indeed, it would probably aggravate the latter, considerably accelerating the trend which has been noticed even under independent management toward a " do-nothing " attitude. One essential function of a broadcasting authority is the balancing of claims of various parties and social groups; to place it under the direct rule of one such party is to make almost impossible the just exercise of this function. The ideal authority must combine sufficient public control to safeguard the general interest with maximum freedom from ordinary political machinery.

Major modifications in the B.B.C. constitution, providing added control while maintaining or increasing the Corporation's independence, would appear to be found in complete reconstitution of the Board and a shift in balance of authority between it and the Executive. Given a representative personnel of active Governors, taking a major share in formation of policy and in making essential decisions, although not in their execution, it may be possible to reverse the dangerous trends above described, and to give to British broadcasting that firm and independent foundation which it requires in fulfillment of its political mission. Three Governors should be chosen as persons of conservative or orthodox disposition, and three heterodox. The present Board if so classified

[273] Major Edmondson at 290 H. C. Deb. 5s. 19 (29 May 1934); and Sir Alfred Knox at 301 H. C. Deb. 5s. 801 (7 May 1935).

would favour the former division four to two. The distinction is not one purely of political affiliation, although a difference in general view-point may find expression in politics as elsewhere, but is a fundamental cleavage in temperament, which may quite easily be recognised. The Chairman should be an individual of known impartiality, preferably with the qualification of some former position where he had consciously to exercise an impartial judgment. Members should be expected to devote two or three days each week to the Corporation, and should be accordingly remunerated.

Such a Board would play an active part in administration of the broadcasting service. In appointment of officials to senior posts, in choice of speakers and subjects for political and controversial broadcasts, in allotment of programme time to the broad categories, in short, in all decisions where policy is involved, they might take a share in consonance with their responsibility. It is not suggested that they should perform executive functions. They would not themselves take the initiative in selecting talks material, for instance, but they would ensure the existence of a competent and open-minded personnel and would review its actions from the view-point of the public interest and the full potentialities of the service. In an ordinary commercial undertaking or public utility trust, questions of policy arise relatively infrequently, and routine working does not require close attention from the Board. Broadcasting, however, implies in its nature that many minor decisions will postulate determinations of policy, and the Governors should therefore be more intimately in touch with day-to-day operations. A stronger Board would permit reduced concentration within the organisation. Governors would bring to the B.B.C. an attitude differing from that of the permanent professionals. They would be on guard against the " inarticulate major premises " of the staff, and would concern themselves to see that censorship was strictly impartial and reduced to a minimum. By accepting public responsibility for questionable decisions, they could destroy the tendency to devitalise the service by a refusal to take risks. Finally, and in the long run perhaps most important, they could openly resist a Government's attempt to bring pressure to bear on the Corporation in any manner whatever. Their public and responsible position would allow independence of action impossible to permanent employees.

In its eleven years of operation, the British Broadcasting Corporation has provided a service which may bear comparison with any other in the world. It has blazed new paths in an unknown territory and has pointed the way for future development of a young and rapidly growing art. If the Corporation has been criticised in these pages, it must not be supposed that the nation's debt to Sir John Reith and his associates in building up Britain's broadcasting from its beginnings is not fully appreciated. The management which nurtures a service in its early years, however, is not always the most satisfactory agency of control after its position is established. The executive must now be surrounded with safeguards and relieved of responsibilities which, the product of its own exertions, have become too heavy for it.

It has been assumed in the course of this critique that British broadcasting is to find its place as part of the social order of a liberal-democratic State. If this assumption is unjustified, and a single party régime is instituted, the medium will of course become primarily an instrument of propaganda for the dominant Party, and its other uses will be subordinated. If, on the other hand, the spirit and machinery of Parliamentary liberalism are to remain, broadcasting has its part to play in the formation and cultivation of democracy in the best sense of the term. The public corporation may provide the administrative context within which such service is to be performed, and prevent perversion of the microphone to baser ends. If so, the modern statesman will have demonstrated in one field at least his capacity successfully to regulate and control the resources provided him by the modern scientist.

CHAPTER V

THE LONDON PASSENGER TRANSPORT BOARD

1. *Historical Background*

AMONG existing British public corporations, the position of the gigantic monopoly which has for four years supplied passenger transport facilities to the metropolitan area is pre-eminent. Youngest and largest of all these undertakings, it is the product of a whole generation of thought and consideration, finally brought to fruit by the successive exertions of Ministers of Transport from each of the three leading political parties. Here at last, in the discussions and debates surrounding the establishment of the London Passenger Transport Board, the public corporation ceased to be an accidental divagation from well-tested forms and became conceived as a new agency of public administration, with its own peculiar characteristics, advantages, and requirements.

Two elements of historical development converge upon the London Passenger Transport Act of 1933, the technical and the administrative. Why, in the first place, was transport co-ordination desirable and how did it come to be so recognised? Given its desirability, secondly, what type of body should ensure co-ordination and administer the co-ordinated services? The latter problem has been seriously pondered for only a decade; the former began with the inception of public transportation facilities themselves and has developed with them at every stage.

Existing instrumentalities of London passenger transport are five in kind: suburban services of the main line railway companies; tubes, underground and surface local railways; tramways; trolley-buses; and motor omnibuses and coaches. All but the last, dependent as they are upon fixed rails or overhead lines, have always operated under some form of Parliamentary or Departmental authorisation, and are in their nature semi-monopolistic in character. The monopolies are tempered by substitutability of other forms, but each has its own advantages for special types of traffic. In addition, trolley-buses to a small degree, tramways, and above all railways, require a tremendous investment in fixed capital, amounting under modern conditions to almost £1,000,000 per mile for tubes. It was clear from the start that free competition

in their provision was both a physical and an economic impossibility, and that public convenience demanded co-ordination at least in the delineation of routes and in facilities for inter-communication.[1]

A Royal Commission on Metropolitan Railway Termini in 1846 expressed the opinion that the introduction by private enterprise of railways, termini, or important street improvements in the central area " should be planned and prescribed to the companies, and finally carried out under the authority of some Department of Your Majesty's Government, in conjunction with the Corporation of the City of London, or with the local Authorities of the District in which the works are to take place." [2] A Parliamentary Select Committee in 1863 went so far as to recommend " that every such system of internal Railway communication for the Metropolis should be under one management," although it would have preserved " free competition " in the submission of plans.[3] A further Joint Select Committee in 1901 suggested direct supervision of underground railway projects by the Board of Trade, an *ad hoc* body of Commissioners, or a Joint Parliamentary Committee.[4]

During the same period the passenger transport problem was attacked from another angle, that of general surface traffic congestion and the need for systematic street improvement. As early as 1855, the 7,400 daily journeys of horse omnibuses through the City received notice as a source of congestion.[5] The two streams of thought met in the proposals of the Barbour Commission on London Traffic in 1905, which recommended establishment of a small, expert, advisory, and semi-judicial body, not unlike the present Electricity Commissioners, to be charged with the examination of development schemes submitted to Parliament and with

[1] Cf. *Report from the Select Committee appointed to join with a Committee of the House of Lords on Railway Schemes (Metropolis)*, H. C. Paper 87 of 1864, p. vi.

[2] *Report of the Royal Commission on Metropolitan Railway Termini (Canning Report)*, H. C. Paper 91 of 1846, p. 8.

[3] *Third Report from the Select Committee of the House of Lords on Metropolitan Railway Communication (Granville Report)*, H. C. Paper 500–II of 1863, Par. 13.

[4] *Report of the Joint Select Committee of the House of Lords and the House of Commons on London Underground Railways*, H. C. Paper 279 of 1901, p. ix.

[5] *Report from the Select Committee on Metropolitan Communications*, H. C. Paper 415 of 1855, p. iii.

the independent formulation of schemes on its own account.[6] Most important in view of later action was the reference to an earlier proposal for unified management of the metropolitan railway systems:[7]

> We attach great importance to this recommendation, and are of opinion that it is equally applicable to the case of tramways. Railways and tramways dealing with urban and suburban traffic should be operated in large systems, under suitable regulations to protect the interests of the public. Competition, in such cases, is seldom effective, and may be wasteful, while the existence of a number of railways and tramways under separate management, both adds to the working expenses and reduces the facilities for through communication. We are of opinion that the Board would perform a useful service by facilitating and suggesting amalgamation or joint working, under suitable conditions, and its position as preliminary Examiner of Bills would afford it special facilities for so doing.

To the already ponderous weight of these combined recommendations was added the opinion of a Select Committee in 1913, condemning direct competition of trams and omnibuses as inimical to public safety.[8] Yet no action was taken. War-time conditions aggravated the difficulties of goods transport in the streets. At the same time unregulated consolidation of passenger services under private enterprise began to threaten possibilities of serious exploitation of the public in the future. From its formation in 1855, the London General Omnibus Company had pursued a steady course of working agreements and amalgamation in the omnibus field, while the majority of the metropolitan railways were controlled since 1902 through the mechanism of a holding company, the Underground Electric Railways Company of London.[9] A combination of Underground and London General interests was effected in 1912, comprising in addition three company-owned tramway undertakings controlled by an intermediate holding company.[10]

[6] *Report of the Royal Commission on London Traffic* (*Barbour Report*), Cd. 2597 of 1905, Par. 197.

[7] *Ibid.*, Par. 208.

[8] *Report from the Select Committee on Motor Traffic*, H. C. Paper 278 of 1913, Par. 79.

[9] H. Morrison, *Socialization and Transport* (London, 1933), pp. 14–18; Sir Robert Donald, "The Story of London Transport — Part II," in 10 *Public Administration* 120, 121 (April, 1932).

[10] For the corporate structure of the Underground Combine, cf. *Minutes of*

Under a Private Act of 1915, a portion of the Underground Group, including the three tube railways, the Metropolitan District Railway, and the General Omnibus Company, were permitted to pool their receipts in a Common Fund.[11] By the end of the war there remained outside this "Combine," as the Underground Group came to be known, only the Metropolitan Railway, the main line railways, the leading tramway system of the London County Council, thirteen other local authority tramways of which the majority had running agreements with the L.C.C., and a variable and unrestricted number of "independent" omnibus and coach proprietors ranging from owners of a single vehicle to the important and long-established undertaking of Messrs. Thomas Tilling.[12]

This Combine, while facilitating some of the technical advantages of co-ordination, was not without its dangers. The first of the spate of post-war Committees on London transport, sitting in 1919, pointed them out in forceful terms:[13]

> There is no ground whatever for the acceptance of the "Combine" view that their surface activities merit, at least so far as omnibuses are concerned, any special franchise, and certainly not a monopoly, and their antagonism to London County Council (and presumably any other) development, either in respect of tramway extension or motor 'bus running, would not be entertained by any Executive Authority which aimed at making London transport effective and efficient, and which might fitly issue an authorisation to the County Council to run omnibuses should it wish to do so. *It is very necessary, in the opinion of your Committee, to lay stress on this point, because all the "Combine" evidence tended to show that its operations are aimed at "pegging out claims" which one day may be put forward as vested rights.*

Evidence and Proceedings of the Joint Select Committee of the House of Lords and the House of Commons on the London Passenger Transport Bill, H. C. Paper 90 of 1931, Vol. II, *Minutes of Evidence*, chart on p. 205 and QQ. 2150–71. This document is henceforth cited as "*Joint Select Committee*, 1931."

[11] London Electric Railway Companies' Facilities Act, 1915, 5 & 6 Geo. V., Ch. lxviii, SS. 2–3.

[12] The smaller independents began to appear in considerable number only in 1922.

[13] *Report from the Select Committee on Transport (Metropolitan Area)*, H. C. Paper 147 of 1919, Par. 14. The italicised portions of this quotation were printed in the Report in boldface type.

Again a standing Traffic Authority for the Metropolitan Area, " to direct the co-ordination of the routes and services of existing means of transport," [14] was urged, but again without success, the only direct result being the appointment of a further Committee by the newly created Ministry of Transport. Both the Minister's Committee and the Royal Commission on London Government of 1923 re-enforced the recommendations for a Traffic Authority or Advisory Committee, in one form or another, making it clear, however, that it should have no power itself to operate services.[15] A resolution to the same effect was passed by the London County Council in 1921,[16] although it not unnaturally desired the Authority to be municipally appointed.

As Committee after Committee had its recommendations shelved and forgotten, the problem to be solved became increasingly urgent. The number of passenger journeys rose from 1,074 million in 1905 to 2,573 million in 1919, an increase in journeys per head per year, after allowing for the growing population, from 157 to 350. The need for new facilities was pressing but a general increase in fares consequent upon the high post-war wage and cost levels had failed to restore financial prosperity to the existing undertakings, which were unable to raise new capital on their unaided credit. The only large scale tube development between the end of the war and 1930 was undertaken with the aid of a Government guarantee as to both principal and interest under the Trade Facilities Acts, 1921 and 1922.[17] Moreover, financial stability was further threatened by a deluge of " independent " omnibuses, increasing during 1924 at the rate of 20 per week, which concentrated for the most part on the remunerative routes of the central area. They not only failed to supply the needs of outlying districts, but

[14] *Report from the Select Committee on Transport (Metropolitan Area)*, H. C. Paper 147 of 1919, Par. 8.

[15] *Ministry of Transport, Report of the Advisory Committee on London Traffic (Kennedy Jones Report)*, Cmd. 636 of 1920, Pars. 34–41; *Report of the Royal Commission on London Government (Ullswater Report)*, Cmd. 1830 of 1923, Pars. 281–304.

[16] Quoted in *Ullswater Report*, Par. 46.

[17] Lord Ashfield, *Practical Aspects of the London Passenger Transport Problem*, Lecture delivered at the London School of Economics, 5th March, 1934, (mimeographed), pp. 14–15. This lecture is henceforth cited as *"Ashfield to L.S.E."*

by forcing the General Company to reduce rates on paying routes prevented it from subsidising either its own less remunerative omnibus routes or the tubes by way of the Common Fund.[18] At the same time congestion became more acute.

The reluctance of successive Governments to take any action was suddenly dispelled in the spring of 1924 by a strike for increased wages on the tramways, which carried out most of the omnibus operatives in sympathy. The Minister of Labour's Court of Inquiry found no question as to the merits of a wage increase, but owing to severe omnibus competition the tramways could not earn sufficient revenue to pay it.[19] The remedy was to be sought not in increased fares but in "legislation placing the passenger traffic of the Metropolitan Area under some co-ordinating control." On the following day the new Labour Government introduced into the House of Commons a measure framed by its predecessors at the Ministry of Transport,[20] and the London Traffic Act came into operation in August, 1924. It gave the Minister power to declare any streets within the Metropolitan Police District and the City "restricted streets," by reason either of congestion or "of the existence of alternative facilities . . . or of omnibus accommodation . . . being excessive," on which he might prohibit or restrict the total plying of omnibuses and allocate permitted journeys among specific proprietors.[21] No compensation was provided for undertakers who might suffer under the Act, but any right to continued enjoyment of its benefits was specifically debarred, and any enhancement of value by virtue of regulations under it was to be disregarded in the event of compulsory purchase in the future.[22]

The restrictive powers thus granted served their immediate purpose, but were incapable of achieving positive co-ordination. The policy adopted was simply one of "stabilisation," or preventing new omnibuses from entering the field, in all the important streets of the area.[23] More significant for its ultimate effects was

[18] F. Pick, in 13 *Journal of the Institute of Transport* 136 (January 1932).

[19] *Industrial Courts Act, 1919, Interim Report by a Court of Enquiry Concerning the Stoppage of the London Tramway and Omnibus Services, 1924 (Colefax Report)*, Cmd. 2087 of 1924, Par. 7.

[20] 171 H. C. Deb. 5s. 1149 (25 March 1924).

[21] London Traffic Act, 1924, 14 & 15 Geo. V, Ch. 34.

[22] *Ibid.*, S. 13.

[23] *Joint Select Committee, 1931*, p. 29.

the creation by the same Act of a London and Home Counties Traffic Advisory Committee, composed of twelve "ordinary" members appointed by various local authorities and Government Departments, and seven "additional" members representing labour and the transport entrepreneurs. It was to advise the Minister in regard to all his duties connected with traffic in the London Traffic Area, some twenty-five miles around Charing Cross, and on the Minister's reference to consider certain other matters, notably: [24]

> The co-ordination of all or any of the various forms of transport services, and co-operation between the persons operating the same or different forms of transport services with a view to the combined operation of all means of transport in the London Traffic Area in the best interests of the public.
>
> The comparative desirability of different forms of transport services in various circumstances either generally or in particular localities, or in any specific case.
>
> New transport systems or developments or extensions of existing systems proposed to be established or carried out within the London Traffic Area.

The work of this Committee established the need for complete co-ordination as a generally accepted proposition, thus concluding the historical development on the technical issue, while it simultaneously raised the administrative issue to the plane of active consideration.

During 1925 and 1926 the Advisory Committee conducted three exhaustive inquiries into travelling facilities in the North and North-East, East, and South-East of London. Each of these sectors had undergone marked expansion since the beginning of the century, particularly in outlying districts, but corresponding development of through travel facilities was limited to the third, where the Southern Railway had extended and electrified its suburban lines. The inadequacy of existing arrangements was unquestionable. No solution could be offered by omnibuses, for their competition with the tramways had already created congestion on many routes and they were in any case too slow for satisfactory transport between the centre and the growing borders of the various areas. In each case the indicated remedies were in railway im-

[24] London Traffic Act, 1924, 2nd. Sch., (a), (f), and (h).

provement, in particular through electrification of the London and North Eastern Railway's suburban lines and construction of new tubes. Counsel for both railways and the Underground, however, declared that " so long as their undertakings remain subject to the existing competition of road transport, they will not be prepared to embark upon any scheme involving considerable capital expenditure," [25] a decision which failed to evoke criticism from the Committee. On evidence collected during twenty-five days of hearings it concluded that " some scheme for bringing all forms of public passenger transport under unified control appeared to offer the only satisfactory and lasting solution of the whole problem of passenger transport in London." [26]

The fundamental economic argument behind this conclusion was never clearly stated, but its nature is evident.[27] It would at first sight appear that there could be no warrant for constructing new tubes incapable of returning their own full operating, maintenance, and capital costs. Yet their operation at slightly unremunerative fares might, by draining off long-distance traffic from the roads, so relieve surface congestion as greatly to improve the omnibus service. For such improvements the public may well be willing to pay fares covering more than omnibus costs proper, the surplus going to subsidise tubes, with greater total satisfaction than before. From the broad viewpoint, part of the cost of improving the omnibus service by means of railway construction may properly be allocated to omnibus fares, but such allocation can be effected only under common ownership. Nor can it be done without an omnibus monopoly, for to outsiders creaming the traffic the omnibus service offers surplus profits, and investment in this field is a relatively simple matter.[28]

[25] *London and Home Counties Traffic Advisory Committee, Report upon the Public Inquiry held in October, 1925, with respect to the Travelling Facilities to and from North and North-East London (North and North-East London Report), 1926*, p. 12.

[26] *London and Home Counties Traffic Advisory Committee, Report upon the Public Inquiry held in October, 1926, with respect to the Travelling Facilities to and from South-East London (South-East London Report), 1927*, p. 10.

[27] An interesting but incomplete economic analysis of the problem is to be found in G. J. Ponsonby, *London's Passenger Transport Problem* (London, 1932).

[28] The capital per car mile run during 1934–35 required by London local railways was some eighteen times as great as that in omnibuses. Calculated from the Accounts and Statistics appended to the *L.P.T.B., 2nd Annual Report, 1934–35*.

A similar argument, *mutatis mutandis,* may be applied to the relation between omnibuses and tramways. In short, the maximum satisfaction of passenger transport requirements demands an organisation accounting for all forms of transport as a unified whole, each form being exploited for its particular advantages. Only complete co-ordination can satisfy this demand.

At this juncture, a proposal was outlined to the Advisory Committee by Mr. Frank Pick, General Manager of the Underground Companies, for an extension of the principles of a Common Fund and Common Management, as they had obtained within his organisation since 1915, over the entire field, but leaving the actual ownership unaffected.[29] The Committee received the scheme sympathetically as a "possible solution" and advised more thorough examination of its details. In April, 1926, therefore, the Minister invited it to arrange for a Sub-Committee "to discuss with the Companies and Municipalities engaged in the operation of transport undertakings in the London Area whether any further co-operation or combined action is possible or desirable."[30] The outcome was the so-called "Blue Report," prepared with the especial co-operation of members representing the Combine (Mr. Pick himself) and the London County Council (Sir Henry Jackson), outlining in detail a scheme for the general co-ordination of facilities. It involved retention of ownership of the various undertakings by existing companies and local authorities, with the possible exception of many independents too numerous and individually too small to be included in a common management. All the local railways, tramways, and omnibuses, however, were to be made parties, by compulsion if necessary, to a Common Fund in which after meeting their individual "revenue liabilities" (including interest on debentures and preference dividends) the balance of gross revenues would be pooled. Pooling of receipts with the main line railway suburban services was to be made permissive, but not mandatory. The pool would then be distributed *pro rata* to the various profits in some standard year up to the amounts earned

[29] *North and North-East London Report,* p. 12; *North and North-East London Inquiry, Minutes of Evidence,* QQ. 3795–3915.

[30] *Ministry of Transport, Report of the London and Home Counties Traffic Advisory Committee to the Minister of Transport giving Particulars of a Scheme for the Co-ordination of Passenger Transport Facilities in the London Traffic Area (Blue Report), 1927,* Par. 1.

in that year, with further surpluses applied so as gradually to equalise profits throughout. A Common Management, constituted by agreement, would operate the undertakings together as a single unit, with outside accountants to ensure that " expenses and charges incurred in respect of each undertaking are reasonable and proper and cause no unfairness as between the several parties." [31] The Minister of Transport would exercise public control over the whole of this joint monopoly, settling disputes among parties to the Common Fund and between the whole and local authorities. On application from the latter, acting on the advice of the Traffic Advisory Committee, he would have power to revise fares and services so long as he did not deprive the undertakings of a " reasonable return " on their ordinary shares. With such co-ordination the Committee was convinced that London transport could attract fresh capital for badly needed developments in the East End. Only the representatives of the " independents " positively dissented from the Report, while the main line and Metropolitan railways' representative withheld his signature in order to retain a " free hand." [32]

In every paragraph the Blue Report shows itself as an attempt to achieve all the advantages of common ownership without that final step. The consequent weakness at the core of the scheme is reflected in numerous provisions for internal arbitration to prevent raids on the Common Fund and inadequate contributions to the joint undertaking by its separate members, and in frequent opportunities for friction among the parties concerned. At the same time, the various proprietors were deprived of any function which might justify their separate retention. Only the limited terms of reference, which could not be interpreted to include consolidation of ownership under a new agency, prevented the Committee from advising more thoroughgoing measures.[33]

Upon submitting the Report to the various undertakers for their consideration, the Minister found general support for its principles except from some of the independents.[34] However,

[31] *Blue Report*, Par. 7.

[32] *Ibid.*, p. 12.

[33] Cf. the testimony of the Chairman, Sir Henry Maybury, at *Joint Select Committee, 1931*, Q. 63.

[34] *Report of the London and Home Counties Traffic Advisory Committee to*

Parliamentary time was in his opinion inadequate for a Public Bill to implement them. Upon his suggestion conferences were instituted between the Combine and the L.C.C., which had unsuccessfully attempted to negotiate a joint pooling scheme in 1915–16. The discussions eventuated in promotion of two associated Private Bills, known as the "Co-ordinating Bills," in the 1928–29 Session of Parliament. They would have authorised establishment of a Common Fund and Common Management between the two undertakings, with provision for the voluntary addition of others by agreement. Although they fell short of the proposals in the Blue Report both in their scope and in the degree of public control envisaged, the Traffic Advisory Committee advised the Minister to assist their passage, in default of any immediate expectation of, and without prejudice to, a more comprehensive scheme in the future.[35]

Under the benevolent approval of the Minister the Bills were given a second reading in the Commons in February, 1929, were approved and amended by a Joint Select Committee, and read a third time by 145 to 54,[36] at each stage over the opposition of Liberal and Labour members from London constituencies. Before the measure could go through the necessary stages in the Lords, however, Parliament was dissolved, and under the rules an additional third reading in the new House of Commons was necessary to their passage. With the support of the Liberal Party a Labour Government was now in office, including as Minister of Transport Mr. Herbert Morrison, the leading opponent of the Co-ordinating Bills under the previous régime.[37] He recognised the urgency of the problem but was dissatisfied with the instant proposals as a solution.[38]

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the Minister of Transport in regard to the Parliamentary Private Bills promoted by the London County Council and the London Electric Railway Companies in the 1928–29 Session of Parliament, intituled *The London County Council (Co-ordination of Passenger Traffic) Bill, and the London Electric Railway Companies (Co-ordination of Passenger Traffic) Bill (White Report), 1929,* p. 4.

[35] *White Report,* p. 6. Sir Kenyon Vaughan-Morgan was in error when he later denied these differences. Cf. 269 H. C. Deb. 5s. 1262 (27 October 1932); and 274 H. C. Deb. 5s. (14 February 1933).

[36] 227 H. C. Deb. 5s. 1850 (2 May 1929).

[37] Cf. H. Morrison, *The London Traffic Fraud* (London, 1929), a pamphlet attacking the Bills.

[38] 230 H. C. Deb. 5s. 560 (17 July 1929).

Co-ordination is necessary but we cannot submit to a permanent private monopoly in London traffic. There must be public accountability and public control. We do not rule out . . . the question of public ownership, or some form of public ownership.

He particularly objected to the proposed transference of municipal tramways to a Common Management dominated by private enterprise, upon which it was suspected that the L.C.C. would be given only two representatives. Upon his promise to undertake immediate re-examination of the problem the Bills were defeated, 295 to 172.[39]

The promised attention was forthwith devoted to the evolution of a new policy, and by the end of 1929 the Minister was able to announce the two chief principles upon which his Bill would be drafted. His statement to the House of Commons on 2nd December included the following phrases:[40]

We have given the closest attention to the form which the pooling of resources and co-ordination of management . . . should take, and we have come to the conclusion that the ends in view can be fully achieved and that the public interest can be fully safeguarded only if existing sectional financial interests are consolidated by the substitution of a single and simple form of public ownership for the complicated network of separate interests, private and municipal, which now add so greatly to the difficulties of the situation. . . .

While the Government have decided that the principle of public ownership should be applied, they desire to make it clear that their intention and aim will be to assert and effectively to provide for the principle of commercial management of a self-supporting, consolidated transport system, thus ensuring the advantages of vigorous business enterprise.

In these words may be seen the germination of the proposal that the type of body to administer London passenger transport in the future should be a public corporation.

Mr. Morrison later explained how he arrived at this determination. Assuming the desirability of completely unified ownership, upon which he had decided before rejecting the Co-ordinating Bills, the alternative administrative forms before him were private ownership, municipal administration, a State Department or a

[39] 230 H. C. Deb. 5s. 582 (17 July 1929).
[40] 232 H. C. Deb. 5s. 1929–32 (2 December 1929).

public corporation. His party's predilections favoured the State Department or municipalisation, with an undefined degree of "workers' control," but he insisted upon efficiency as the first criterion and made his choice in its light alone. Private ownership was eliminated on principle, and its advantages would in any case have been vitiated by the degree of public control necessary to check exploitation.[41] Simple municipalisation under a single authority was impossible, for no existing local body covered more than a fraction of the London Traffic Area.[42] Had there been a Greater London authority, it seems not unlikely that control would have been placed in its hands, a course favoured by the London Liberals [43] and apparently not condemned at the time by Mr. Morrison himself,[44] although he subsequently wrote that "it is not certain that such a huge commercial undertaking would be appropriate as part of the ordinary machinery of local government." [45] A public corporation under the general supervision of such a local authority might have been a feasible solution. As it was, however, only a joint municipal body like the Metropolitan Water Board could have served the purpose, and this was decisively rejected as slow-moving, prone to sectional conflicts, and with "a great deal of joint and not enough authority." [46] Civil Service administration through a State Department was likewise rejected as unsuited to a commercial undertaking, from the standpoints both of personnel and of excessive Parliamentary interference.[47] With the earlier forms thus abandoned, the public corporation, suggested to the Minister partly as a result of his municipal experience, partly from the example of the Electricity Board, and partly from the Liberal Party proposals in *Britain's Industrial Future*,[48] remained, and was adopted.

As introduced on 12th March, 1931, the London Passenger Transport Bill provided for a Board of five appointed by the Min-

[41] Morrison, *Socialization and Transport*, pp. 114 *et seq.*

[42] The London Traffic Area was about 1,800 square miles, as against only 117 for the Administrative County of London.

[43] P. A. Harris, *London and its Government* (London, 1931), pp. 164, 237; and 250 H. C. Deb. 5s. 84 (23 March 1931).

[44] Cf. his press statement of October, 1930, quoted in *op. cit.*, at p. 124.

[45] H. Morrison, *How Greater London is Governed* (London, 1935), p. 130.

[46] 250 H. C. Deb. 5s. 54 (23 March 1931).

[47] *Ibid.*, col. 55; and *Joint Select Committee*, 1931, p. 36.

[48] 250 H. C. Deb. 5s. 57 (23 March 1931).

ister of Transport, the members to " have had wide experience, and have shown capacity, in industry, commerce, or finance or in the conduct of public affairs." [49] It was directed " to secure the provision of an adequate and properly co-ordinated system of passenger transport for the London Traffic Area," [50] and to this end was endowed with an absolute monopoly over the provision of such transport except by private vehicles and taxicabs. To its ownership would be transferred the entire undertakings, as going concerns along with their respective staffs, of the Underground Group (with the exception of certain subsidiary companies not directly concerned with transport), the Metropolitan Railway, the London County Council and thirteen other local authority tramways, the two Tilling Companies, and fifty-eight independents. Compensation for the private companies was to be determined by a special arbitration tribunal on the general basis of net maintainable income, without allowance for compulsory transfer or for profits attributable to the operation of the London Traffic Act, the stockholders for the most part receiving in exchange for their holdings London Transport Stock of various classes issued by the Board. Local authorities, on the other hand, were simply to be relieved of outstanding charges on the capital of their undertakings, as to both principal and interest. The main line suburban services would be brought into the scheme through a Standing Joint Committee of eight members, four from the Board and one from each railway company, authorised to arrange co-operation in the provision and working of services and, if possible, the pooling of receipts. The new Board would be financially independent and determine its own internal structure. Outside control was provided in two important respects in addition to appointment by the Minister: jurisdiction over the revision of fares was placed with the Railway Rates Tribunal, acting on the initiative of any local authority or of the Board itself; and on similar representations from a local authority the Minister, after reference to the Traffic Advisory Committee, might order provision of new, or prohibit the restriction or withdrawal of existing services, so long as he did not thereby endanger the Board's financial position or necessitate an application to Parliament for additional powers. At the same time

[49] H. C. Bill 109 of 1931, Cl. 1(1) and (2).
[50] *Ibid.*, Cl. 3(1).

the Advisory Committee was reconstituted to give a wider basis of municipal representation. Finally, in the usual manner adopted with statutory Boards, the Bill prescribed audit under the authority of the Minister, with the annual publication of a report, statistics, and accounts.

The Bill was strenuously opposed on second reading by the Conservative Party, which offered the following amendment: [51]

> That this House, whilst again willing to consider any sound scheme for the co-ordination of London traffic, declines to give a Second Reading to a Bill which provides for the nationalisation of London passenger transport; deprives local authorities of control in respect of their various undertakings; takes the property of private owners out of their control; gives them no option of sale; vests in the Minister of Transport bureaucratic powers; and constitutes him, and not a judicial tribunal, the court of appeal in such important matters as the provision or withdrawal of traffic services and facilities.

Agreement on the need for co-ordination, indeed, was forthcoming from all sides of the House, but the Opposition found the Bill " Socialistic " in its compulsory nationalisation and in the allegedly inordinate powers of the Minister over the Board, and desired a return to the Co-ordinating Bills of 1929.[52] The Liberals preferred a municipally appointed body, although they recognised the difficulty of area, and gave their support in the hope of substantial amendments.[53] With their aid the second reading was carried by 271 to 224.[54]

A long and arduous Parliamentary career awaited the measure. Like the Port of London Bill of 1908 it was first referred to a Joint Select Committee of both Houses, where thirty-five days were spent in arguments by counsel and examination of witnesses, " probably the longest, one of the most difficult, and one of the most complicated inquiries that a Committee of Parliament has ever undertaken." [55] The leading witness for the promoters was Sir Henry Maybury, Chairman of the Advisory Committee. Petitions in opposition were originally deposited by the Underground Combine, the main line railways, the Metropolitan Railway, the

[51] 250 H. C. Deb. 5s. 71 (23 March 1931).
[52] *Ibid.*, 73–81, 101, 110.
[53] *Ibid.*, 81–90.
[54] *Ibid.*, 174.
[55] *Joint Select Committee, 1931*, p. 1322.

L.C.C. and several other local authorities, and the independent omnibus proprietors. At the very beginning of the proceedings, however, it was announced that negotiations for agreed terms of compensation had been successfully concluded between the Ministry of Transport and the Combine,[56] and soon afterwards the main line railways agreed upon a definite scheme for the pooling of their suburban passenger receipts with those of the Board.[57] These two groups of undertakings thereupon withdrew their opposition and became strong supporters of the Bill. Agreements were also obtained with the L.C.C. and all but two of the other local authorities on the method of compensation, but the London Council remained in opposition in connection with the proposed constitution of the Board.[58] The Metropolitan Railway, which operated in addition to its specifically local passenger lines a moderate amount of goods traffic and a long line extending outside the metropolitan area to Verney Junction, 50½ miles from Baker Street, objected to being transferred to the Board under any conditions, and wished to be included only in the pooling scheme with the main line railways.[59] The independents, finally, considered the Bill entirely unnecessary and in any case, in view of their handsome profits, past and prospective, were dissatisfied with the provisions for compensation.[60] A large number of minor opponents on specific provisions, in addition, included the Transport and General Workers' Union, which claimed labour representation on the Board.[61]

On the constitutional issue an interesting proposal was submitted by Sir Oscar Warburg, witness for the L.C.C. He would have provided an executive board of five, appointed by and subject to a policy-determining board of twelve or fifteen.[62] The superboard would contain representatives of local authorities, labour members appointed by the Minister of Labour, and financial members appointed by the Governor of the Bank of England to protect the shareholders. The directing board might include some or

[56] *Joint Select Committee, 1931*, pp. 6–7.
[57] *Ibid.*, p. 13.
[58] *Ibid.*, p. 376.
[59] *Ibid.*, p. 644.
[60] *Ibid.*, pp. 839, 848.
[61] *Ibid.*, pp. 460–1.
[62] *Ibid.*, pp. 753–64.

all of the members of the executive board. With such a supervisory body, he thought, appeals to the Minister and possibly even those to the Railway Rates Tribunal would no longer be necessary, the balance of interests ensuring adequate protection to the public. A parallel was drawn with the Port of London Authority, the organised consumers on the latter being replaced here by local authorities. The Government Counsel pointed out in reply that an additional board would encumber the operation of the enterprise, that policy and execution could not be divorced in so thoroughgoing a manner, and, most important, that a large representative board would degenerate into a tug of sectional interests modified only by concessions without regard to the interests of the whole.[63] In short, without the dominating common concern for optimum service at minimum cost which characterises the P.L.A. and similar representative trusts, direct representation of interests can only lead to conflict. Put before the Committee on a division, the L.C.C. scheme was defeated by five to four.[64]

The Bill left the Joint Committee modified in many details but substantially unaltered in its main outlines. Concessions were made here and there on the principles of arbitration and amount of compensation, on the area to be covered, and on the Board's power to manufacture, which was severely limited, but the scope of the Bill, the constitution of the Board, and the mechanism of public control were affirmed. No sooner was it reported back to the House than there supervened the formation of the first "National" Government and the general election of 1931, which returned to power a Government predominantly Conservative in basis but with a Liberal, Mr. P. J. (later Sir John) Pybus, at the Ministry of Transport.

It was generally supposed, in view of Tory opposition on second reading, that the Bill would be dropped by the new Government.[65] In June, 1932, however, a White Paper was issued indicating that subject to important modifications the remaining stages would be taken.[66] Faced with the responsibility of positive action, the Government had found like its predecessors that the solution em-

[63] *Joint Select Committee, 1931*, pp. 1073–80.

[64] *Ibid.*, Proceedings, pp. xvi–xviii.

[65] 114 *The Economist* 588–9 (12 March 1932).

[66] *Statement as to certain modifications which it is proposed to make in the London Passenger Transport Bill*, Cmd. 4133 of 1932.

bodied in the old Co-ordinating Bills was inadequate. In words which might have been quoted from Mr. Morrison himself, the new Minister declared that " the first foundation stone . . . is a unified and common ownership of all the enterprises operating in the London area." [67] In the interim the Metropolitan Railway had been added to the list of undertakings with agreed terms of transfer, and the earlier objection to compulsory acquisition now applied to so small a share of the field as to be insignificant. At the same time the Minister's powers were curtailed in two directions. Appeals on facilities in common with fares were now to go to the Railway Rates Tribunal, an alteration which in view of the necessary connection between the two was eminently sound. The second change, however, struck at the very roots of the concept of the public corporation by entirely removing the Board's appointment from the operation of the Parliamentary system. In place of the Minister was substituted a number of Appointing Trustees, for the most part *ex officio* officers of statutory and professional bodies, legal, banking, and accounting, with representatives of the Advisory Committee and the L.C.C. Commenting upon the " almost comic composition " of this body, *The Economist* described its adoption as " merely a piece of political pedantry, introduced to ' save the face ' of Conservative politicians who opposed the measure while in Opposition." [68] Its defects as a constitutional device will be more fully considered below.

Carried over once more to the 1932–33 Session of Parliament, the Bill was recommitted to Committee of the Whole House, and then proceeded rapidly to enactment. In addition to the alterations described above, a significant amendment added to the Board two members " who have had not less than six years experience in local government within the London Passenger Transport Area," [69] thus introducing an unusually specialised qualification. In the final stages Labour criticism was confined to the alterations in constitution, and despite what were termed the " emasculations " effected by the Government the official Opposition supported the third reading as better than nothing.[70] Opposed to the

[67] 269 H. C. Deb. 5s. 1258 (27 October 1932).

[68] 115 *The Economist* 1023 (3 December 1932).

[69] 272 H. C. Deb. 5s. 1091–6 (1 Dec. 1932).

[70] 272 H. C. Deb. 5s. 760–90 (29 Nov. 1932); 274 H. C. Deb. 5s. 851 (14 Feb. 1933).

Bill now was only a small group of dissenters within the Conservative Party, who remained unreconciled to a statutory monopoly and cast grave doubts upon the financial stability of the scheme.[71] On the final division only 46 opposing votes were mustered against 232 in favour.[72] After a quick passage in the Lords and final revision under the eye of a Conservative Minister of Transport, Mr. Oliver Stanley, the Royal Assent was received on 13th April.[73]

Under the terms of the Act, the London Passenger Transport Board came into being on the 1st July, 1933.

2. *Constitution and Powers*

The L.P.T.B., a body corporate and a public authority by statutory description, consists of seven members appointed by six *ad hoc* Appointing Trustees, namely: [74]

> the chairman of the London County Council;
> a representative of the Advisory Committee . . . ;
> the chairman of the Committee of London Clearing Bankers;
> the president of the Law Society;
> the president of the Institute of Chartered Accountants in England and Wales; and
> in the case of appointments to fill vacancies in the Board at any time after the first constitution of the Board, the chairman of the Board or some other member of the Board nominated by the Board for the purpose.

This odd assortment of distinguished public servants and leaders in professional life was created not so much by virtue of their own special qualifications as from a desire to devise some alternative to appointment by the Minister of Transport. The Government was convinced that Ministerial appointments would be dominated by political considerations.[75] Having given effect to this conviction by removing the Minister, some substitute was necessary. It was repeatedly stated in debate that the actual constitution of the appointing body was not of much consequence, so long as the members were " people of repute and integrity who

[71] *Ibid.*, 854–69.
[72] *Ibid.*, 936.
[73] London Passenger Transport Act, 1933, 23 Geo. V, Ch. 14.
[74] 1933 Act, S. 1(1).
[75] 272 H. C. Deb. 5s. 771–3 (29 November 1932).

can be trusted, after proper consultation with the bodies they represent, to appoint a proper board to manage this vast undertaking.[76]

The arguments against this device are two-fold, relating in part to the body actually chosen but more fundamentally to the omission of the Minister. The three professional representatives are annually elected to their respective offices, a factor minimising continuity and the possibility of real acquaintance with the best prospective appointees, while those from the Law Society and the Institute of Chartered Accountants are not necessarily even residents of the area concerned. When the Bill was passed, indeed, they were both Bristolians, and the subsequent president of the Law Society resided in Henley-on-Thames, also beyond the boundaries of the Board's operations. Nor, despite the above-quoted words of the Attorney-General, can it seriously be supposed that they would consult their respective Councils in this connection. No such objection can be raised against the Chairman of the L.C.C., but as the sole directly municipal representative he may give too narrow a geographical bias to the choice of the local authority members of the Board. The member of the Traffic Advisory Committee, who must be one of the local authority representatives on that body, is the least exceptionable Appointing Trustee. By adding the Chairman of the L.P.T.B. itself, finally, Parliament introduced a questionable principle of co-option. This insertion was made at a late stage by the House of Lords,[77] after withdrawal of an almost fantastic proposal for three L.P.T.B. members among the Appointing Trustees,[78] which would virtually have placed the Board in the position of a college of cardinals. It was hoped thereby to ensure a degree of continuity, but the Chairman is placed in an invidious position in being required to share, for instance, in a decision on re-appointment of one of his colleagues. In sum, the Appointing Trustees not only may, as has been suggested by the Vice-Chairman of the Board, be "entirely ignorant of the problems and needs of London traffic," [79] but they are necessarily responsible to no one.

[76] 272 H. C. Deb. 5s. 1023 (1 December 1932). Cf. also col. 1014.

[77] 87 H. L. Deb. 5s. 101–4 (28 March 1933).

[78] 86 H. L. Deb. 5s. 1095–7 (15 March 1933).

[79] F. Pick, "The London Passenger Transport Board," a lecture at the London School of Economics on 26 Feb. 1934, reprinted in full in 75 *Transport*

The more important consideration attaches to the divorce of the Board's appointment from Ministerial and therefore from Parliamentary control. Continuity of policy is amply guaranteed by terms of office of varying lengths, ranging under the Act from three to seven years, together with the general tendency to reappointment which has always accompanied public corporations administering business enterprises.[80] It is precisely in the filling of occasional vacancies that provision for discontinuity should be made, and for that ultimate public control which can introduce onto the Board fresh spirit and ideas, to prevent not merely stagnation but also perpetuation of policy grossly at variance with public sentiment. For such a function the Appointing Trustees are completely unqualified; the Minister, on the other hand, with the help of his Advisory Committee and consultation with other interests, can alone have the requisite knowledge combined with a sense of real public responsibility. In this way, moreover, Parliamentary criticism could be brought to bear on appointments, but so filtered by the mechanism of collective Cabinet responsibility as to prevent their subjection to party politics. It is notable that after a request on the part of moderate Conservative Members that they be left at least some possibility of criticising action on personnel, removal of members of the Board for " inability or misbehaviour " was placed with the Minister after consultation with the Appointing Trustees rather than with the latter alone.[81] It is unlikely that a Minister would abuse his powers of appointment for purely political reasons, but if necessary a safeguard might be provided by requiring subsequent consent of a body like the present Appointing Trustees. In any case, initiative should lie with the Minister.

General guidance was given the Trustees in a statutory statement of qualifications: [82]

The chairman and other members of the Board shall be persons who have had wide experience, and have shown capacity, in transport, industrial, commercial or financial matters or in the conduct of public

World 119–123, at p. 120. Nevertheless, Mr. Pick approves of this technique of appointment.

[80] The B.B.C., which is hardly a business enterprise, is an exception. Eligibility for re-appointment to the L.P.T.B. is provided by the Act of 1933, S. 1(7).

[81] 272 H. C. Deb. 5s. 1109–12 (1 December 1932).

[82] 1933 Act, S. 1(2).

affairs and, in the case of two members, shall be persons who have had not less than six years experience in local government within the London Passenger Transport Area.

Members of the House of Commons are ineligible. In making appointments the Trustees were to consult with " such persons as they may think fit," of whom the most obvious was the Minister. For the purposes of the first Board, the nature of the appointing body was probably not of great significance, for by common consent the most qualified possibilities were the Chairman and the Managing Director of the Underground Combine, Lord Ashfield and Mr. Frank Pick. It was so understood when Mr. Morrison was at the Ministry of Transport; [83] Lord Ashfield himself admitted the probability in debate in the Lords; [84] and one Member of Parliament made great play with the prospects of a " Lord Oakmeadow " and a " Mr. Shovel." [85] They were made Chairman of the Board and full-time member, respectively, to serve the maximum term of seven years.[86] Sir Henry Maybury, the traffic expert who had presided over the Advisory Committee from its establishment and was a leading proponent of London transport coordination, but had already reached his seventieth year, was another obvious choice, his term being limited to three years. Three years likewise was the term of the two local authority members, Sir John Gilbert, Alderman of the L.C.C., and Sir Edward Holland, Alderman of the Surrey County Council, both elderly gentlemen with long records of local service. It may be taken that these places will generally be allotted one to the L.C.C. and one to an outer authority; thus at the end of 1934 the death of Sir John Gilbert was followed by the appointment of Mr. Charles Latham. The remaining two appointments, for five years each, went to Mr. Patrick Ashley Cooper, a Director of the Bank of England, Governor of the Hudson's Bay Company, and a director of many other companies, and to Mr. John Cliff, Assistant General Secretary of the Transport and General Workers' Union and a labour representative on the Advisory Committee. In 1936 Sir Henry Maybury and Sir Edward Holland were re-appointed for a further

[83] *Joint Select Committee*, 1931, p. 491, Q. 5540.
[84] 86 H. L. Deb. 5s. 1004 (2 March 1933).
[85] 272 H. C. Deb. 5s. 1021 (1 December 1932).
[86] 278 H. C. Deb. 5s. 527–9 (18 May 1933).

three years. All but the Chairman and Mr. Pick are part-time members only.

It will be seen at once that the Board is composed of members each with special qualifications in some particular phase of London transport problems. Thus Lord Ashfield and Mr. Pick are the active executive members; two members, in accordance with the statute, are drawn from local authority experience; and the remaining three places have been neatly divided among finance, labour, and transport expertise. Yet it is in no wise a representative Board in the narrow sense. It was a cardinal element in Mr. Morrison's conception of the public corporation that it should be a "small business corporate body" and that the only bias should be toward success of the enterprise as a whole.[87] Direct representation of any interest was excluded, and he firmly maintained this position even against members of his own party desirous of putting labour members on the controlling Board.[88] On the whole, the "National" Government took a similar view. The Minister of Transport agreed [89]

> that the Board which is to be responsible for the operation of this great undertaking should be a thoroughly businesslike body and that the persons who compose it should be selected for no other reason than that they possess some special qualifications which will enrich the skill and experience of the Board in directing the conduct of the undertaking and taking a broad view of the policy which ought to be pursued in the public interest.

The apparent exception in the case of the two local authority members was said to be not sectional representation but merely a guarantee of experience and familiarity with great local government problems like housing and road construction upon which the operation of transport vitally impinges.[90] On the whole it might have been wiser to leave the matter to the Appointing Trustees, two of whom are themselves local authority representatives. Establishment of a special statutory category tends to imply an obligation upon those members to defend local authority interests, but they are admittedly so paramount in relation to London trans-

[87] Morrison to *Joint Select Committee, 1931*, p. 400, QQ. 4413–4414.
[88] *Ibid.*, p. 461, QQ. 5185–5190.
[89] 272 H. C. Deb. 5s. 743 (29 November 1932).
[90] 272 H. C. Deb. 5s. 1094–5 (1 December 1932).

port that an exception to the general rule is perhaps here justified. In the short experience of the Board no friction has been caused on this account. Diversity of experience is all to the good, provided that it does not weaken the corporate quality of the Board; the existing categories appear to have been wisely selected.

Members' salaries, fixed by the Minister after consultation with the Treasury, are set at £12,500 per year for Lord Ashfield, £10,000 for Mr. Pick, and £750 for each of the others.[91] Members may not hold securities in the L.P.T.B. itself or in any other undertaking (including the main line railways) providing transport within their area, and they must abstain from deliberations on any contract in which they are interested.[92] In addition, Lord Ashfield and Mr. Pick, as full-time members, were required to resign other appointments, offices and directorships, with a few specified exceptions in the former's case, and the latter's salary was to be open to review after three years.[93] In notable contrast to the position of labour members on the P.L.A., who are frankly representatives of the organized employees, Mr. Cliff, who has been given special part-time executive duties in connection with staff matters, agreed to resign his office in the Transport and General Workers' Union and to "cease all participation in the business and activities of the union during his term of office as a member of the Board."

That two of the initial appointments were for full time was a result only of the special positions of Lord Ashfield and Mr. Pick within the old Combine. During many years of collaboration they had evolved a unique basis of co-operation, the one as a strong Chairman directing the finances and major lines of policy of the undertaking while the other, as Managing Director, supervised and controlled the administration proper. Their success clearly warranted preservation of this arrangement on the L.P.T.B., but establishment on a firm foundation of so delicate a relationship must depend to a large degree upon personal factors, and the Minister of Transport has declared that it "is not regarded . . . as constituting precedents to be followed in the future when the

[91] 278 H. C. Deb. 5s. 759 (22 May 1933). All members agreed to a temporary reduction of 7½ per cent.

[92] 1933 Act, S. 4.

[93] These conditions of appointment were stated at 278 H. C. Deb. 5s. 760–3 (22 May 1933).

special circumstances attending the formation of the Board will no longer exist." [94] More probable is a full-time Chairman with a salaried non-member of the Board as General Manager.

Upon this new public corporation are laid general obligations in the widest terms: [95]

> It shall be the general duty of the Board so to exercise their powers under this Act as to secure the provision of an adequate and properly co-ordinated system of passenger transport for the London Passenger Transport Area . . . , and for that purpose, while avoiding the provision of unnecessary and wasteful competitive services, to take from time to time such steps as they consider necessary for extending and improving the facilities for passenger transport in that area in such manner as to provide most efficiently and conveniently for the needs thereof.
>
> It shall be the duty of the Board to conduct their undertaking in such manner, and to fix such fares and charges in accordance with the provisions of this Act, as to secure that their revenue shall be sufficient to defray all charges which are by this Act required to be defrayed out of the revenue of the Board.

The Area is 1,986 square miles in extent, containing a population of some 9,500,000 persons, with its borders ranging from eighteen to thirty-one miles from Charing Cross. Of this territory, 1,550 square miles constitute the so-called Special Area, within which the L.P.T.B. has an absolute monopoly in public passenger transport, barring, of course, the main line railways and taxicabs. No other undertaking may both pick up and set down passengers inside those limits without the consent of the Board; in practice most consents are for one day only, or in connection with sightseeing, sports matches, and other special events.[96] For its Special Area services, moreover, the Board is exempted from the requirement of road service licences from the Traffic Commissioner. In the remainder of the Area other undertakers are legally in the same position as the L.P.T.B., but many of the border companies are bound by voluntary agreement to remain outside.[97] Certain runnings for limited distances are permitted outside the entire Area, in order to reach convenient terminals. In general, the Area

[94] 278 H. C. Deb. 5s. 760 (22 May 1933).
[95] 1933 Act, S. 3(1) and (4).
[96] *L.P.T.B., 2nd Annual Report, 1934–35*, Par. 43.
[97] *Joint Select Committee, 1931*, pp. 580–2.

is intended to cover the whole of regular traffic between London and its suburbs, and fringe problems were settled by negotiation and accommodation with outside omnibus and coach undertakings.

The wherewithal to carry out its general duties was for the most part provided by transfer to the Board on 1st July, 1933, or at a later date if arbitration or further negotiation was required, of ninety-two undertakings. Nineteen from the Combine included tubes, the Metropolitan District Railway, partial interest in several railway lines operated jointly with main line companies, tramways, omnibuses, motor coaches, a surplus lands company, power houses, a construction and finance company, and a garage. There were in addition the Metropolitan Railway, fourteen local authority tramways, two Tilling companies, and fifty-six independents, most of whom failed to come to agreed terms before passage of the Act. In general, the legal rights, powers, privileges, liabilities, and obligations of the transferred undertakings were henceforth to apply to the combined undertaking. For the future, the Board might under a broad grant of powers:[98]

(a) maintain, manage, carry on, extend and improve their undertaking:

(b) by agreement acquire or take on lease the whole or any part of any other passenger transport undertaking if that undertaking or that part is being worked within or mainly within the London Passenger Transport Area:

(c) purchase, repair or maintain rolling-stock, vehicles, appliances and apparatus for use or used in connection with their undertaking:

(d) purchase by agreement or take on lease land, and erect thereon such buildings as may be requisite in connection with their undertakings:

(e) do or cause to be done all other things necessary for the convenient and efficient working of their undertaking.

It is also permitted to operate a passenger vessel service on the Thames. Co-ordination with the railways is ensured through a special pooling scheme, administered by a Standing Joint Committee.

Compared with its attitude towards the C.E.B., Parliament acted with great generosity in endowing the Transport Board

[98] 1933 Act, S. 3(3).

with powers. In certain respects, however, the L.P.T.B. has been circumscribed by a limitation to matters directly connected with the supply of transport even where previous experience had demonstrated economies and advantages attainable through operation in allied fields. The most important such restriction is on the power to manufacture, except for experimental or research purposes, which is limited to the annual number of omnibus bodies produced on the average in the London General Company's Chiswick works over the five years 1927 to 1931.[99] Under the original Bill the Board would have been free to manufacture for any or all of its own requirements; [100] the power was struck out by the Joint Committee at the instance of various manufacturing trade associations,[101] on the grounds that in competing for foreign trade private enterprise would be damaged by the loss of an important home market, that the Board should not dissipate its energies on work not directly relevant to its immediate responsibilities, and that by virtue of the limitation to manufacture for its own use the costs would be greater in any case.[102] None of these arguments seems valid. If economies were unattainable, the Board would not wish to indulge in unremunerative extension of its activities, and would purchase from outside without legal compulsion. If not, the provision becomes a veiled subsidy to the export trade of a limited class of manufacturers at the expense of London passengers, indefensible as a technique of subsidy. The possibility of price-raising combinations would alone warrant the right to manufacture as a means of self-defence. It may be noted, finally, that the arrangement in regard to the Chiswick undertaking, settled by agreement between the Government and the trade, limited the output to 527 bodies a year out of a capacity in 1933 of some 1,200.[103] Other small works for omnibus, tube, and tram car manufacture acquired as part of the transferred undertakings may be used only for maintenance and repair operations.

The Board was also forbidden to provide garaging services for vehicles other than its own, with one exception at Morden Station; such enterprises when transferred were to be sold within three

[99] 1933 Act, S. 21.

[100] H. C. Bill 109 of 1931, Cl. 3(3)(c).

[101] *Joint Select Committee, 1931*, pp. 964–1021, and Proceedings, p. xviii.

[102] 272 H. C. Deb. 5s. 1266–7 (5 December 1932).

[103] 87 H. L. Deb. 5s. 117 (28 March 1933).

years. Of less importance than the prohibition on manufacture, this limitation re-emphasises the tendency to sacrifice on false principle the best advantage of the public vis-à-vis a trading public corporation. Restrictions on competition with private enterprise quite justified in regard to an undertaking financed by the State are not similarly justifiable when applied to economically independent public bodies. In so far as economies through vertical integration, especially in association of repair and manufacture, are feasible, such allied enterprise should be permitted no less to public than to private corporations. As long as political dogma is to surround the former with unnecessary restrictions, completely valid comparison between the two will be impossible.

In their net effect upon so large a concern as the L.P.T.B., however, these qualifications are of very minor consequence. Its area is adequate; its powers ample; and its independence for the most part unfettered. Here again, as with every other public corporation, Parliament has retained certain authority over the Board in its own hands and has delegated some to the Minister of Transport. Over road services outside the Board's Special Area, the jurisdiction of the Traffic Commissioners extends in the ordinary manner. Two other specialised bodies are also entrusted with a degree of controlling power or influence in the public interest, the Railway Rates Tribunal and the London and Home Counties Traffic Advisory Committee.

Parliamentary control depends chiefly upon a mass of private legislation inherited along with the various transferred undertakings, and upon certain additional specific statutory restraints requiring Parliamentary sanction to their alteration. Most of the latter concern finance and will be considered with correlative matters. Special Acts applying to all of the Board's railways and tramways schedule maximum fares, and the Metropolitan Railway undertaking was obliged under the Railways Act, 1921, to levy " standard charges " without variation in either direction.[104] So far as it fixed a lower limit, this latter provision was repealed in 1933;[105] the maxima remain, along with corresponding limitations on trolley-bus fares introduced in 1934.[106] While procedure

[104] 11 & 12 Geo. V, Ch. 55, SS. 32 and 33.

[105] 1933 Act, S. 25.

[106] London Passenger Transport Act, 1934, 24 & 25 Geo. V, Ch. xcvi, SS. 72–76.

by Private Bill might still be used for their revision, they are now all subject to the jurisdiction of the Railway Rates Tribunal, which also replaces the Minister where he previously exercised revisionary authority over tramway maxima. Earlier Acts also laid down requirements of minimum service, authority for revision of which has not been delegated and still requires Parliamentary action.[107] The most important such requirement, however, has been removed by the Board's power, statutes to the contrary notwithstanding, to abandon tramways, in whole or in part.[108]

A more significant type of statutory limitation concerns the construction of new works. Extensions of railways, tramways, trolley-bus lines, or buildings in their nature involve acquisition of land, breaking up streets, or other interference with the public highway. Where the contemplated expenditure is less than £1,000,000, they may be authorised by the Minister of Transport alone,[109] but for more extensive developments the Board must apply to Parliament. A similar purpose is served by the limited capital borrowing powers, which are kept in more or less close relation to prospective expenditure on authorised new works. In the brief course of its existence the L.P.T.B. has promoted no less than six Private Bills. Two were concerned exclusively with financial arrangements due to special circumstances, but four, in part at least, were in the ordinary course of procedure for extension of the Board's services. They have been subjected to minor amendment by Parliamentary Committees, which take under consideration the financial prospects of proposed works,[110] and to a degree of debate, which while not substantially modifying their terms indicates important potentialities for control. Such powers of Parliament, of course, are no greater over the L.P.T.B. than over the former private companies; public corporation status has brought no change in this respect. Where development does not require special powers, as with omnibuses, Parliament retains only very indirect and remote control through the limitation on borrowing.

[107] For example, S. 105 of the London Passenger Transport Act, 1934, which repealed a provision for securing the continuous working of the "Inner Circle," S. 89 of the Metropolitan and District Railways (City Lines and Extensions) Act, 1879.

[108] 1933 Act, S. 23.

[109] Ministry of Transport Act, 1919, 9 & 10 Geo. V, Ch. 50, S. 29.

[110] Cf. report of the sitting of the Select Committee of the House of Lords on the 1935 Bill, *The Times*, 10 July 1935.

With the Minister largely removed from the scene, there are few opportunities for general debate. Consideration of Private Bills is restricted to the matters in hand, and may not range over the whole field of the Board's activities.[111] While the question has never been put to the test, an Attorney-General's opinion supports the view that the L.P.T.B. may not be discussed on the Ministry of Transport Vote.[112] Debate on the Adjournment or on a Private Member's Motion is always possible, but without a Minister responsible for the Board it can hardly be of great value. Even the eliciting of information at question time is limited. The Minister acts as the Board's spokesman, but considers himself only as a mouth-piece for such enlightenment as the latter may care to offer. On a very few matters like the Board's salaries or the progress of arbitration he replies on his own account,[113] but for the rest answers follow the common form: "I understand that . . ."[114] or "I am informed by the L.P.T.B. that . . .".[115] The content of such answers, moreover, is strictly confined to factual material; an inquiry, for instance, as to "whether he will ensure better treatment" for Essex residents was put off with the reply: "Parliament has given me no power to order the Board to provide new facilities."[116] In practice the Board supplies information quite generously, compensating in some measure for the relative irresponsibility of the Minister for its actions. Thus details of developments, of new services, of staff and service statistics, are readily furnished,[117] but when unwilling to give a complete reply the Board is supported by the Minister. Its refusal to publish a contract with the Associated Equipment Company was followed by the Ministerial statement that "The inviting of tenders is a matter entirely within the discretion of the Board."[118] The effect of Ministerial irresponsibility is to reduce Parliamentary questions simply

[111] 285 H. C. Deb. 5s. 483 (20 June 1934).

[112] 272 H. C. Deb. 5s. 771 (29 November 1932).

[113] As at 278 H. C. Deb. 5s. 759 (22 May 1933); 286 H. C. Deb. 5s. 1578–9 (5 March 1934); 304 H. C. Deb. 5s. 1208–9 (18 July 1935).

[114] As at 301 H. C. Deb. 5s. 360 (1 May 1935).

[115] As at 303 H. C. Deb. 5s. 354 (19 June 1935).

[116] 301 H. C. Deb. 5s. 1721 (15 May 1935).

[117] As at 293 H. C. Deb. 5s. 1048–9 (7 November 1934); 297 H. C. Deb. 5s. 30–1 (28 January 1935); 296 H. C. Deb. 5s. 1332 (20 Dec. 1934); 301 H. C. Deb. 5s. 360–1 (1 May 1935).

[118] 287 H. C. Deb. 5s. 888 (19 March 1934).

to a more forceful and more effective method of communicating grievances to the Board than is afforded by the ordinary machinery of public relations.

Attenuation of the Minister's influence has proceeded further with the L.P.T.B. than with any other public corporation. Over the Board's members he has only two means of control, neither of which has great practical significance. After consultation with the Appointing Trustees, he may remove any member for " inability or misbehaviour," but the phrase corresponds with the Lord Chancellor's power over County Court judges [119] and is probably applicable only in the event of insanity or criminal offence. He also fixes the Board's salaries, after consultation with the Appointing Trustees and with the consent of the Treasury. While an indirect veto over appointments is a possible consequence of this power, its use in that manner is inconceivable. Division of function with the appointing body is meant to serve as an administrative safeguard against flagrant corruption on the latter's part. Treasury consent was introduced with a similar end in view,[120] although it is difficult to visualise any motive for extravagance by a Minister in regard to appointees of a different body. Nor, with one exception, has he any substantial control over the Board's operations. He is frequently mentioned in the London Passenger Transport Act, but largely for purely administrative duties like setting dates and framing regulations on such matters as public notification of alterations in fares and custody of lost property. In connection with Stock Regulations and certain other financial matters he has a larger degree of discretionary authority, but always subject to Treasury approval.

The exceptional power of the Minister derives from an extension of the restricted streets provision of the London Traffic Act. Although that measure was originally designed to eliminate dangerous and uneconomic omnibus and tramway competition, now accomplished by the very establishment of the L.P.T.B., it was made permanent on the alternative basis of preventing street congestion. Within the Special Area the Minister may limit the type of vehicle and number and frequency of journeys on any street, allocating its use between the Board and motor coach services

[119] 272 H. C. Deb. 5s. 1105 (1 December 1932).
[120] 272 H. C. Deb. 5s. 1293–4 (5 December 1932).

coming in from outside the London Passenger Transport Area. Such restrictions apply to coaches and other vehicles as well as omnibuses. In the general interests of traffic regulation, moreover, he may direct the Metropolitan Traffic Commissioners to fix specified stopping and turning places. The exercise of his powers has created considerable dissatisfaction on the part of the Board, which finds its motor coach services badly hampered by their operation.[121] Nevertheless, in principle they are founded not upon the special position of the L.P.T.B. but upon the Minister's general authority in regulating traffic.

Even the power to secure information and publicity is more restricted than ordinarily. The Board is to supply the Minister with financial and statistical returns, but may appeal against any such request to the Railway Rates Tribunal. In addition to its annual accounts, finally, it must submit a report in form prescribed by the Minister,[122]

> dealing generally with the operations of the Board during the preceding year . . . and containing such detailed information with regard to the proceedings and policy of the Board as may properly be given without detriment to the interests of the undertaking of the Board or of any of the amalgamated railway companies, and such report shall be laid before both Houses of Parliament and shall be on sale at a reasonable charge to the public. . . .

The reports so far published are far more full than those of any similar body, and might well be taken as models by other public corporations.

On the whole, it is clear, the Minister does not in any sense stand in a general supervisory relationship to the L.P.T.B. For most purposes it is assumed that the Board's public status will in itself protect public interests, but where potentialities of injustice, discrimination, or disinclination to undertake improvements are supposed to justify external control, Parliament has considered alternative specially constituted bodies more suited to the task. If ultimate Parliamentary control over personnel is afforded by Ministerial appointments, such a division of function, also exemplified with the C.E.B., is sound.

[121] *L.P.T.B., 2nd Annual Report, 1934–35*, Pars. 72–7.

[122] 1933 Act, S. 47(1). This provision does not afford a special basis for Parliamentary debate.

The authority of the Metropolitan Traffic Commissioners over L.P.T.B. road services outside the Special Area is founded on the particular circumstances of the outer region, where the Board is without monopoly rights. It must obtain from them road service licences which may be withheld at their discretion on grounds of public interest, adequacy of existing services, or [123]

> the needs of the area as a whole in relation to traffic, (including the provision of adequate, suitable and efficient services, the elimination of unnecessary services and the provision of unremunerative services), and the co-ordination of all forms of passenger transport, including transport by rail.

In addition they must consider the Board's special duties in co-ordinating transport within the London Passenger Transport Area as a whole.[124] If granted, such licences may fix routes and stopping-places, and limit charges in respect to maxima, minima, or both, in order, *inter alia,* " to prevent wasteful competition with alternative forms of transport, if any, along the route or any part thereof, or in proximity thereto." [125] Like all other fare restrictions on the Board, however, they may be varied by the Railway Rates Tribunal. It appears, therefore, that in this outer area the Board's duties of co-ordination are subject to an overriding authority, entrusted with co-ordination of the Board's services to harmonise with those of others as well. In so far as this authority applies to services extending within the Special Area the Commissioners are unlikely to interfere with the Board's discretion, but over purely local outer area services their jurisdiction is important in practice as well as law. Given the desirability of a fringe area open to competing enterprise, co-ordination of this kind is to the advantage of the Board at least as much as of any other undertaker.

The most effective legal authority over the L.P.T.B. inheres in the jurisdiction of the Railway Rates Tribunal. For appeals on London transport questions its three permanent members are supplemented by two additional members appointed by the Minister, one with experience in London local government and one with financial experience.[126] Characteristically for a quasi-judicial body,

[123] Road Traffic Act, 1930, 20 & 21 Geo. V, Ch. 43, S. 72(3)(d).
[124] 1933 Act, S. 15(5).
[125] Road Traffic Act, 1930, S. 72(4)(d).
[126] 1933 Act, 9th Sch., Par. 1. The additional members are Sir Maurice Jenks,

the tribunal may take no initiative itself, but must await action by interested parties in order to exercise its powers. On application from a local authority or from the Board it may reduce or increase any fare, generally or particularly, or modify the conditions applicable to such fares, without regard to statutory or other limitations. Similar power applies to the main line railway services within the London area. There is no appeal from decisions of the tribunal. In making its orders, it *may* "have regard to the establishment and maintenance of a general basis for fares throughout the London Passenger Transport Area," but *shall:* [127]

> have regard to the desirability of the establishment and maintenance by the Board of an adequate reserve fund and shall not make any order which would in their opinion preclude the Board from complying with their obligations under subsection (4) of section three of this Act.[128]

Since the reserve fund is one of the last possible charges on revenue, a general reduction of fares against the proved necessity of the Board is impossible. The tribunal's power is primarily useful for the public as a safeguard against discrimination. For the Board, on the other hand, it affords a simpler and less expensive means of obtaining an increase in maxima, in case of general inflation like that of the war period, than is possible under Private Bill procedure.

The Railway Rates Tribunal's authority over facilities is equally broad in principle but subject to even greater restrictions. Initiative again rests with local authorities, which may apply for restoration of old or provision of new services by either the Board or a main line railway, whereupon the tribunal may order accordingly, with such conditions, including provision of alternatives to replace abandonments, as it thinks proper. Here, however, it must not only again have regard to maintenance of a reserve fund and refrain from any injury to the Board's financial position, but may not make an order necessitating application for further Parliamen-

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a chartered accountant, former Lord Mayor of London and former Senior Sheriff of the City; and Sir S. Hardman Lever, former Financial Secretary to the Treasury and former Treasury representative at the Ministry of Transport. The former was recommended by the London and Home Counties Traffic Advisory Committee.

[127] 1933 Act, S. 29(1) and (4).

[128] Securing sufficient revenue to defray all charges.

tary powers or, without the Board's consent, the raising of additional capital. A new omnibus route, a change in the timing of a service, or increased frequency, might be ordered by the tribunal under these limitations, but nothing more.

In the first two and one half years of the Board's existence no applications were filed with the Railway Rates Tribunal against the L.P.T.B.[129] Most complaints about details of services or fares are made directly to the Board through its Public Relations Office. Of the 4,000 letters handled there every month about 120 come from local authorities or other organised associations,[130] and it is to the Board's interest to preserve good will by satisfying its consumers so far as possible. Its monopoly position is not so strong that it can afford to ignore public sentiment, for the very heavy burden of fixed charges necessitates maximum utilisation of facilities on financial grounds alone. Nevertheless, a monopoly is subject to abuse no matter how public-spirited its administrators, and a legal safeguard of this nature, liable to be set in motion by any discontent sufficiently widespread to move a metropolitan borough or urban or rural district council, is no more than reasonable. That it has so far remained unused is to the credit of the L.P.T.B.

None of the external controlling bodies so far considered affords continuing supervision or liaison with public opinion. Internal machinery provides the latter to a large degree, but Parliament was anxious to secure more formal machinery independent of the Board's volition. To this end it reconstituted the London and Home Counties Traffic Advisory Committee, which now consists of forty members appointed as follows:[131]

One member each, — By the Home Secretary and the Minister of Transport.

Six, — By the London County Council.

Seventeen, — By other County Councils, the City Corporation, Metropolitan Borough Councils, and County Borough Councils within the Area, either singly or in groups.

Three, — By the Home Secretary to represent the Metropolitan Police, by the Home Secretary to represent police forces beyond the

[129] The sole application under the 1933 Act concerned the Southern Railway and was withdrawn before hearing. *Railway Rates Tribunal, 14th Annual Report, 1935*, p. 69.

[130] Pick, in 75 *Transport World* at p. 122.

[131] 1933 Act, S. 58 and 8th Sch.

Metropolitan Police Area but within the Transport Area, and by the City Corporation to represent the City Police.

Two, — By the London Passenger Transport Board.

Two, — By the main line railway companies.

Five, — By the Minister of Labour to represent labour in the transport industry.

Three, — By the Minister of Transport to represent respectively mechanical road haulage interests, horse-drawn vehicle interests, and the taxicab industry.

The predominance of local authorities' representation reflects their interest not only as corporate units in housing and road construction, but also as representative bodies for the unorganised users of the L.P.T.B.'s undertaking.

Besides advising the Minister as under the Act of 1924, the Committee is now: [182]

to make representations to the Board with respect to any matter connected with the services or facilities provided by the Board in the London Traffic Area which ought, in the opinion of the Committee, to be considered by the Board.

Under the statute it was also to meet jointly with the Board three times a year, unless otherwise agreed by both parties, but less formal contact through the two L.P.T.B. representatives has made such meetings unnecessary in the recent past.[183] As a channel for representations from its constituent bodies the Committee has established a Passenger Transport Facilities Sub-Committee, which consults with the Board on matters brought to its attention. They have included special facilities for old age pensioners, blind passengers, and school children, renaming a station at the request of the local borough council, and alteration of stopping places for trams, omnibuses, and trolleybuses. In each case the complaint has been met amicably by the Board, with a solution by way of compromise or a reasoned and accepted rejection of the proposal.[184]

[182] 1933 Act, S. 59(1)(b).

[183] *London and Home Counties Traffic Advisory Committee, 10th Annual Report, 1934–35,* p. 16.

[184] *Traffic Advisory Committee, 9th Annual Report, 1933–34,* p. 21; *10th Annual Report, 1934–35,* pp. 16–9. Cf. also Pick, *op. cit.,* at p. 122, who says: "So far, by a spirit of accommodation and cordiality, the results have been excellent, but it was a risk to invite so much discussion which only those like members of Parliament, acquainted with the vagaries of public opinion, dare have taken."

Without legal authority, the Committee possesses sufficient prestige to ensure consideration for its suggestions, and it is a highly important outlet for expression of grievances which might otherwise accumulate to the ultimate detriment of the Board.

When its powers and limitations are considered in their *ensemble,* the L.P.T.B. is seen to be in an enviable position of independence. A very large sphere of enterprise has been cut out for it upon which external control impinges rarely and at few points. Financial limitations are more severe, but on the administrative side at least, if it fails to secure co-ordination, to provide adequate expansion, and within its resources to offer a universally satisfactory passenger transport service, the responsibility must lie with the Board.

3. *Finance*

The principle of complete financial autonomy lies at the heart of the constitution of the L.P.T.B. It was the prime object of its establishment to meet " the needs of the public for new and improved facilities . . . without demand upon the public purse." [185] It operates under a statutory injunction to secure economic self-sufficiency. Its revenue is derived from the sale of its services; its capital from the open market; it determines its own expenditure; and after the payment of strictly limited interest rates any surplus goes to a reserve applied for the purposes of the undertaking at its own discretion. It has in practice depended upon the aid of Government credit, but not subsidy, for its first major developments, but the experience of initial years set by ill chance in a background of relative depression is no sufficient guide for estimates of the future. In design at least, the Board is by means of complete co-ordination of London passenger transport, accounting for the entire undertaking as a unit, to provide a satisfactory service on a paying basis. Its discretion in financial administration is not unqualified. Both borrowing and charging powers are subject to quantitative and qualitative limitations. Its initial financial situation was fixed by agreements prior to its formation and beyond its control. Nevertheless, its independence is substantial and its success as a public corporation will be judged by the associated criteria of service and of economic soundness.

[185] 274 H. C. Deb. 5s. 844 (14 February 1933).

Almost the entire consideration for the transfer of undertakings to the Board was in the form of various classes of London Transport Stock. Further stock may be issued, subject to the Minister's Regulations approved by the Treasury,[136] in order to borrow money for paying those former proprietors who are entitled to cash, for provision of working capital, for redemption of previously issued stock, and for:[137]

> the provision of money for meeting any expenditure incurred in connection with any permanent work or other thing which the Board are authorised to execute or do, the cost of which is properly chargeable to capital, and, where the time for the completion of the work in respect of which the money was borrowed is limited by statute, the payment of interest on that money for a period not exceeding the time so limited or the period actually required for the completion of that work, whichever is the shorter.

Under the original Act borrowings by means of stock in addition to that issued in respect of compensation, or issued for the redemption of previous issues, were limited to about £2,700,000 of unused borrowing powers of certain of the Common Fund companies in connection with their 1930 development programme and a further £10,000,000.[138] Money may also be temporarily borrowed by means of overdrafts or short term bonds up to £3,000,000. These sums fell somewhat short of actual commitments of the former undertakings, thus requiring the Board to obtain further borrowing powers along with Parliamentary authorisation for new works of any magnitude. They were in fact increased by a further £30,000,000 under Acts of 1935 and 1936, which granted authority for developments estimated to cost some £28,000,000, including capitalisation of interest during the period of construction.[139] It will be seen that the legislature retains a close check on capital expansion, unless it be provided out of revenue, even where specific Parliamentary powers are not necessary on other grounds.

London Transport Stock is divided into five classes. No issues have yet been made except in compensation for transferred under-

[136] The London Transport Stock Regulations, 1933, S. R. & O., 1933, No. 827.
[137] 1933 Act, S. 38(2).
[138] *Ibid.*, S. 38(3).
[139] London Passenger Transport Act, 1935, 25 & 26 Geo. V, Ch. cx, S. 79; London Passenger Transport Act, 1936, 26 Geo. V & 1 Edw. VIII, Ch. cxxxi, S. 84.

takings. Total amounts outstanding at 30th June, 1936, were as follows:

Class	Rate of Interest	Redemption Dates	Nominal Amounts
	%		£
"A"	4½	1985–2023	23,843,249
"A"	5	1985–2023	16,263,950
"T.F.A."	4½	1942–1972	12,583,000
"L.A."	4½	1975–2023	9,835,036
"B"	5	1965–2023	23,709,830
"C"	5 to 6	1956 or thereafter	25,698,802
Total			111,933,867

Thus all but " C " Stock bear fixed interest, are redeemable within specified periods, or after the earlier of the above pairs of dates at the option of the Board, and are in the nature of debentures. " T.F.A." Stock was issued in lieu of debentures of the tube railway companies guaranteed by the Treasury under the Trade Facilities Acts, carrying the same guarantee and similar in all respects to the displaced securities. " L.A." Stock is also of limited amount, issued only to four local authorities under the terms of their agreements with the Ministry of Transport, and not saleable by them within ten years of its issue. These securities are all charged on the entire undertaking of the Board, ranking in the order named in the above table. Within each class all stock ranks *pari passu,* regardless of the date of issue or interest rate. They are Trustee Securities. Eventual redemption of the senior issues is to be secured by sinking funds, which are, however, postponed during the first ten years.[140]

The foregoing stocks are generally similar to that issued by other public corporations; " C " Stock, on the other hand, was specially designed for the L.P.T.B. and combines characteristics of both a debenture and an ordinary equity share. Although there is no compulsory redemption whatever, the Board may if it pleases redeem the stock at any time after 1956.[141] The provisions regard-

[140] For statutory provisions concerning these Stocks, cf. 1933 Act, SS. 39, 40; 1935 Act, S. 81; Stock Regulations, Reg. 21.

[141] 1933 Act, S. 39(8). Under S. 42(2)(b), the Board may apply its general reserve fund to the purchase and cancellation of " C " Stock, provided that the price is not above par.

ing a variable interest rate are unique. A so-called "standard rate" of 5 per cent in the first two years and 5½ per cent thereafter is to be paid in the first instance; in addition, if any surplus revenue remains after all interest payments including the standard rate and sinking fund provisions are covered, it is after the first two years to be applied half to a general reserve fund and half to additional interest on "C" Stock up to a maximum of 6 per cent. This range of possible income was thought to correspond in some degree with the junior stocks holding an equity interest in the transferred undertakings. Needless to say, however, "C" stockholders have no voting rights.

Viewed as such an equity stock there is no intrinsic moral obligation upon the Board to pay even the standard rate of interest.[142] Nevertheless it was an avowed object of the Joint Select Committee on the London Passenger Transport Bill to ensure not only such payment but under ordinary circumstances the full 6 per cent,[143] and various safeguards in the final Act protect the stockholders' interests. Perhaps the least important such provision is that for a receivership. Senior stockholders have rights of this sort corresponding to those against the P.L.A.; holders of 5 per cent of the total amount outstanding of either "A," "L.A.", or "B" Stock may after three months' default in interest or principal payments apply to the High Court for appointment of a receiver or receiver and manager. Covered by junior securities as even "B" Stock is to some 30 per cent, the Board stands in no danger from this quarter. A default on the standard rate on "C" Stock for three consecutive years, however, may be followed by similar application from holders of not less than 5 per cent of the total quantity outstanding. It is true that once appointed a receiver and manager may not be given powers exceeding those of the Board itself,[144] and it is very doubtful that stockholders would stand to gain by his appointment. Nevertheless, the provision is a further statutory admonition to the Board to pay the standard rate before considering concessions on revenue account, whether in services, fares, or wages, sustained by a threat of not entirely inconsiderable proportions. Almost at the last moment, the Government became

[142] Cf. Lord Ashfield, at 86 H. L. Deb. 5s. 1003 (2 March 1933).
[143] The Chairman, Lord Lytton, at *Joint Select Committee, 1931*, p. 1106.
[144] Stock Regulations, Reg. 48.

frightened of the rigidity it had thus introduced into the Board's finances.[145] Compensation had been based on the net revenue figures of 1928 to 1930; with the severe falling off in gross receipts which ensued during the immediately following years it was doubtful in the extreme that the standard rate could be paid, at least not without sacrificing to the holders of " C " Stock all the advantages of co-ordination and possibly a proportion of the proper allowance for renewals in addition. It was therefore provided that the first two years should be omitted from the grounds for instituting a receivership, thereby giving the Board a clear five years before payment of the standard rate became essential.[146] At the same time, provision was made for meetings of stockholders of all classes to express their opinions to the Court upon any application.[147] Objection by senior stockholders to such application by their junior colleagues, the normal result of this procedure, might have some weight with a Court, but cannot restrict the exercise of its judgment.

From 1938 on, therefore, it appears that the standard rate will be enforceable. It would be within the Board's powers, and may become necessary, to pay 5½ per cent every third year and less, or even nothing, in between, for " C " Stock is non-cumulative. Against this practice must be weighed the necessity of keeping " C " Stock at a high price in the market in order to avoid undue cost in floating future issues, for the Board's new borrowing may not be confined to an increase in senior stocks alone, the credit of which it might preserve concurrently with steady depreciation in the value of " C " Stock. On new " A " and " B " issues the price is at the Board's discretion; the date of redemption and interest rate are fixed by the Board with Treasury approval; [148] but of the total of new stock not more than one third may be " A " and not less than one third " C," unless both Minister and Treasury consent otherwise.[149] In any case the present Board, according to Lord Ashfield, feels that a capital structure with only 21 per cent of its liabilities in the junior security is unbalanced,[150] so that the pro-

[145] 274 H. C. Deb. 5s. 709–14 (13 Feb. 1933).
[146] 1933 Act, S. 39(14)(c).
[147] Stock Regulations, Reg. 47.
[148] *Ibid.*, Reg. 8.
[149] 1933 Act, S. 39(11)(b); 1936 Act, S. 85(c).
[150] *Ashfield to L.S.E.*, pp. 10–11.

portion of new " C " Stock should be greater than one third. Since fresh capital will be continually required so long as either London itself or the travelling habits of its inhabitants continue to expand, it will be vital to keep the value of " C " Stock as near par as possible, unless Government aid is to become a permanent basis of capital development. On this ground alone the Board will hardly be able, once the initial period of grace is passed, to default seriously on the standard rate of interest.

A final factor supporting this view is the priority of such payment over sinking fund provision for the senior securities, when these funds come into being in 1943. It is incumbent upon the Board, and upon the Railway Rates Tribunal when deciding upon fares and services, so to arrange the fares that it may set aside out of revenue stock redemption fund provision which will amount to at least £323,000 annually.[151] This sum, equivalent to 1¼ per cent " C " Stock interest, must be found by law, enforced if necessary by mandamus from the High Court on the Minister's application,[152] after paying the standard interest, and leaves no doubt whatever, barring a change in the Board's statutory obligations, that such a rate will be paid every year after 1943. In short, while the London Transport " C " Stock is definitely an equity stock for the first four years and of not entirely certain security for six more, it thereupon becomes practically equivalent to a debenture carrying fixed interest at 5½ per cent, with some likelihood of further interest up to ½ per cent in addition.

The policy involved in permitting the extra increment is questionable. It was introduced only at a late stage in the negotiations.[153] Were the L.P.T.B. a private company, it would be the duty of the Board, enforceable by the ultimate control of the shareholders, to pay the maximum possible dividend consistent with proper maintenance of the undertaking; here, however, there is no such simple guide to its action. How shall it decide between duty to stockholders, which ought with a public corporation to be secondary, and the provision of new or cheaper services or concessions to its employees? A general reserve fund is desirable, to

[151] Calculated at 3½ per cent and eighty years for " A," " L.A.," and " B " Stocks, and at 3½ per cent and forty years for " T.F.A." Stock, on the amounts at present outstanding.

[152] Stock Regulations, Reg. 54.

[153] *Joint Select Committee, 1931*, pp. 1159–60.

be sure, and can be built up only *pari passu* with extra interest on " C " Stock; but for all the theoretical distinction between capital expenditure and renewals it is possible for a Board so minded to accelerate renewals or account for them in such a way that there are in fact capital improvements out of revenue, charged to working expenditure. It is highly doubtful that the advantages of a variable interest stock with so small a range of variation outweigh the disadvantages involved in making the benefit of its creditors subject to decisions of policy by a Board primarily concerned with the public interest.

If public corporations are to be given equity stocks, the interest should fluctuate over a range sufficiently wide really to absorb necessary fluctuations in output and revenue which accompany general trade movements. Given the inevitability of such movements, cyclical or otherwise, it is a choice of placing the resulting risk with the shareholder by paying him well in prosperous years and poorly in times of adversity, or with the travelling public by paying fixed interest on all capital and building up sufficient reserves in prosperity to cover any temporary deficits. Where the fluctuations are comparatively small, the latter is probably the better arrangement; it has proved unsuccessful with the P.L.A. and other port trusts and is being applied to the C.E.B. Equity stock without voting rights must necessarily be expensive to float, and the saving in interest would justify a similar application to the L.P.T.B. The half-way measure actually devised will afford no real flexibility after the initial ten years, its major practical effect being to overburden the Board by setting standard interest equivalent to the average formerly earned on ordinary shares, but making it for the future not an average but a minimum.

Redeemability of L.P.T.B. stock raises another question of principle. Its object is not provision for ordinary obsolescence, despite Mr. Pick's description of it in that sense.[154] In addition to expenditure on maintenance of almost £4,000,000 per year, the Board during its first three years set aside an average of £2,282,167 for renewals, as against only £145,694 so expended. This allows for a reasonably short term of life for renewal capital (7¾ years if applied solely to rolling stock),[155] and would seem easily to

[154] *Op. cit.*, p. 121.
[155] Cf. 125 *The Economist* 267 (7 November 1936).

cover what may be termed " foreseeable " obsolescence. From the purely economic view-point, Lord Ashfield was more accurate when he suggested that redemption implied " that the shareholders of the present would be bearing part of the burdens which should fall in the future.[156] Nevertheless, a burden of only £325,000 per year spread over eighty years will insure against a complete revolution in methods of transport, and, in all probability, leave the undertaking eventually free of charges on much of its fixed capital. As a matter of public policy this arrangement seems no less desirable for public corporations than for local authorities, and its implementation in the case of the L.P.T.B. was a sound legislative act.

The economic success of the L.P.T.B. not only in remaining self-supporting, but in passing on any economies to the public, must for a generation at least be largely a function of the amount of compensation paid for the transferred undertakings, which will remain during that period the greater part of its capital liabilities. Under agreements with the Underground Combine, the Metropolitan Railway, four local authorities, and some of the independents, and as a result of arbitration with the Tilling companies and others, the following amounts and classes of stock were issued: [157]

Class	Underground Group	Metropolitan Railway	Tilling	Local authorities	Independents	Total
	£	£	£	£	£	£
4½% "A"	16,308,642	7,288,676	152,382	63,016	30,533	23,843,249
5% "A"	14,263,950	2,000,000	.....	.....	.....	16,253,950
"T.F.A."	12,583,000	.....	.....	.....	.....	12,583,000
"L.A."	.....	.....	.....	9,835,036	.....	9,835,036
"B"	18,204,792*	5,259,108	152,381	63,016	30,533	23,709,830
"C"	18,483,794	5,140,813	1,701,330	63,018	309,847	25,698,802
Total	79,844,178	19,688,597	2,006,093	10,024,086	370,913	111,933,867

* Including £1,757,381 paid to the Underground Company and its subsidiary, the London and Suburban Traction Company, for cash.

In addition, the Board paid in cash £6,434 in respect of one Underground subsidiary, £821,164 for local authority undertakings not acquired for stock, and £3,181,718 for various independent omni-

[156] Report of the Tilling arbitration proceedings, *The Times*, 16 October 1934.

[157] *L.P.T.B., 3rd Annual Report, 1935–36*, Appendix 3; *1st Annual Report, 1933–34*, Par. 36.

bus undertakings. Total compensation, excluding the sum paid for cash, thus amounted to £113,358,204.

Only a small share of the compensation was fixed otherwise than by agreement. The Underground Group alone, the first to come to terms, accounted for over 70 per cent of the whole. Alternative principles were applied in compensating the privately owned companies and local authorities. The general basis of the Underground settlement was " net maintainable reasonable revenue," in Mr. Morrison's words, which he takes to include an allowance for unfructified capital but none for abnormal profits likely to suffer reduction through competition or public regulation.[158] More specifically, the Minister's advisers took into consideration the average profits for the years 1928 to 1930, with their maintainability under existing circumstances; unfructified capital was set off against benefits derived from the London Traffic Act of 1924; and the result was more or less equivalent income to existing stockholders of all classes.[159] For debenture and rent charge stocks were substituted London Transport " A " Stock; for preference and similar stocks " B " Stock; in each case so adjusted in quantity as to yield precisely equivalent income from the interest paid. " C " Stock was given to ordinary shareholders, in such quantity that, in Lord Ashfield's terms, it:[160]

> should afford . . . an opportunity in future years of receiving not less than they would have received had the undertakings remained independent of the Board, with a possibility that through this monopoly established by the Board they might secure a little bit more.

Even the company tramways, which were losing concerns, were allowed " C " Stock to from 12½ to 30 per cent of the nominal value of their ordinary shares. The agreed basis, in short, implied future maintainability, in the absence of the Act, of at least the 1928–30 level of profits, which were given the equivalent of about nineteen years' purchase.[161]

The Metropolitan Railway settlement, arrived at a year later, was on substantially the same terms, " A " and " B " Stock being substituted for Metropolitan Debenture and Preference Stocks to

[158] *Socialization and Transport*, pp. 244–61.
[159] *Joint Select Committee, 1931*, p. 241, Q. 2591.
[160] 86 H. L. Deb. 5s. 1002 (2 March 1933).
[161] *Joint Select Committee, 1931*, pp. 379–80, Q. 4221.

yield the same income, but ordinary shareholders were given additional security in respect of "C" Stock through a guarantee by the four main line railways of a 4.8 per cent return for fifteen years and 4.45 per cent for ten years thereafter, to be met from their share in the general traffic receipts pool if interest paid by the Board failed to reach those levels.[162] The guarantee involved no additional liability for the L.P.T.B. and was conceded by the railways in their anxiety to ensure complete co-ordination, as much to their advantage in operating the suburban services as to that of any other party to the Act.[163]

Compensation for the local authorities was generally on the basis of paying their outstanding debt charges in respect of the tramway undertakings, either by issue of an agreed amount of "L.A." Stock or by an amount of cash settled by arbitration. Ilford and Bexley, which had alone produced steady profits, were by way of exception to receive the "value" of their undertakings. While the other local authorities had suffered continuous losses,[164] it was felt that as they were providing public services on a non-commercial basis, with no particular regard to profit-making, it would be unfair to leave the rates burdened in respect of those services when transferred, and that their liabilities should be shouldered by the Board even when on a strictly economic assessment they exceeded the capitalised revenue-earning power of the assets.[165]

Tillings and the Independents, finally, were left to arbitration. A special London Passenger Transport Arbitration Tribunal was established, consisting of three members combining legal, business, and financial experience appointed by the Lord Chancellor, which was to [166]

have regard to all the circumstances of the case and shall . . . determine the value of such undertaking . . . , and award a consideration which in their opinion is equivalent to such value.

The arbitration tribunal shall endeavour to secure that the consideration . . . shall be fair and equitable as between the several owners

[162] *Statement as to certain modifications which it is proposed to make in the London Passenger Transport Bill*, Cmd. 4133 of 1932, pp. 4–5.

[163] 86 H. L. Deb. 5s. 914 (1 March 1933).

[164] Cf. the table at *Joint Select Committee, 1931*, p. 299.

[165] Morrison to the *Joint Select Committee, 1931*, pp. 486–7, Q. 5504.

[166] 1933 Act, S. 14.

thereof, and in order to secure that result may . . . have regard to the nature and value and consideration paid for the transfer of any other undertaking . . . transferred by this Act, whether that consideration is fixed by this Act or by agreement under this Act.

Where the arbitration tribunal are satisfied that in settling the consideration payable in respect of the transfer of any such other undertaking or part of an undertaking to the Board under this Act any factor has been taken into account which is relevant to the case pending before them, they shall, in making their award, take such factor into account, and shall in respect of that factor make their award on a similar basis.

"Value" is not in itself any guide to an arbitrator; the effect of these rules was to leave the determination to the tribunal's discretion, with a firm declaration that however excessive the compensation under the Underground and Metropolitan settlements, no other undertaking should be less generously treated.[167]

In practice it was very difficult to compare these omnibus companies with the Combine and Metropolitan. Not required like their competitor, the London General Company, to subsidise tubes from their profits, and relieved from further competition by operation of the London Traffic Act, their annual earnings amounted to as much as 30 to 60 per cent of their capital, a rate which was in no sense either reasonable or maintainable in the terms of Mr. Morrison's formula. Mere value of the assets themselves, on the other hand, failed to make any allowance for the "goodwill" created by many years of very high dividends. In the final result, out of £4,731,126 compensation arranged by arbitration or agreement after passage of the 1933 Act, only 24 per cent was considered to represent the value of tangible assets, leaving 76 per cent, or over £3,600,000, in respect of "goodwill."[168]

On the assumption that the proper object of compensation is to leave former proprietors and creditors in no worse a position than they would have occupied without the transfer, but to reserve the benefits of the transfer itself to the new undertaking and its consumers, there is no doubt that too much was paid the private companies by the L.P.T.B. The excess was in respect of both principal and income. On the first account no allowance was made, in

[167] Cf. *Joint Select Committee, 1931*, Proceedings, p. xix.

[168] *L.P.T.B., 3rd Annual Report, 1935–36*, Par. 45.

giving stock to yield an income equivalent to that previously received, for greatly increased security consequent upon formation of a monopoly under semi-public control and for inclusion of all the Board's senior stocks among trustee securities. Mr. Ernest Davies, in an exhaustive analysis comparing capital appreciations between a general securities index and London Transport Stocks, has shown in striking fashion how considerable a value was placed by the market on decreased risk.[169] By the end of 1934 it amounted to £13,400,000 for all outstanding securities of the Board. Income from senior securities was of course unchanged, but even at the rate of 4 per cent so far paid on "C" Stock, its holders received considerably more than in 1932, although less than in 1930. At the standard rate of 5½ per cent their dividends would well surpass those of the latter year, which was one of the best in the history of London transport. Maintainability of 1928–30 profits has proved to be very unlikely even under unified control, while in the absence of the 1924 and 1933 Acts it would be absolutely impossible. Lord Ashfield has described the necessity of subsidising tubes and outlying omnibus routes from the highly remunerative omnibus services of the central area;[170] the Combine could not have pursued this policy indefinitely without statutory protection. That it required Government aid in financing tube extensions in 1930 and was generally unable to raise new capital, suggests that unfructified capital was seriously overvalued for purposes of compensation when set off against the London Traffic Act. In addition, some payment for the independents' "goodwill" was unavoidable; so also was the assumption of local authority debt on unremunerative tramways. The net effect on the Board's published balance sheet, after revaluation of its physical assets, is an item of no less than £8,300,000 allocated simply to "balance of consideration." In view of present earning prospects, it may legitimately be suspected that the tangible assets are generously evaluated.

Much of the Parliamentary discussion on the final stages of the Bill was devoted to proving that its financial basis would not

[169] E. Davies, "The London Passenger Transport Board," in W. A. Robson (editor), *Public Enterprise* (London, 1937), pp. 189–96.

[170] *Ashfield to L.S.E.*, pp. 5–6.

prevent the new Board from paying its way and that it could therefore not be considered seriously overcapitalised.[171] The whole tenor of these arguments conceives of overcapitalisation on a basis not of hypothetical future earning power of the untransferred undertakings, but upon that of the Board itself, with economies of co-ordination and a relatively strong monopoly position. During the depression in which it assumed control the L.P.T.B. has been able to pay interest at less than the standard rate, but in future depressions, unlike the old companies, it will probably not be able to do so. The financial provisions of the 1933 Act have in fact not only mortgaged for the benefit of stockholders all the purely economic advantages of consolidation, but possibly, as will be shown, made the Board incapable of fulfilling its obligations without positively sacrificing its duty to the travelling public.

In its first three years the Board spent slightly more than £6,800,000 on capital account, mostly in completing developments begun before its establishment.[172] In the summer of 1935, the Treasury announced a large scale expansion programme on Government credit, to be executed by the L.P.T.B. in conjunction with the London and North Eastern and Great Western Railways.[173] An agreement negotiated with the Standing Joint Committee of the railways and Board [174] provided for establishment of a finance corporation with nominal capital, to raise £40,000,000 at the best rate obtainable under Government guarantee and to relend to the three transport undertakers in the proportions: L.P.T.B., 70 per cent; L.N.E.R., 25 per cent; G.W.R., 5 per cent. The new works, the significance of which from the view-point of transport proper will be later considered, include many of the improvements recommended ten years previously by the Advisory Committee, and are estimated to cost £35,000,000. In addition, interest is to be

[171] 272 H. C. Deb. 5s. 699–736 (29 November 1932); 274 H. C. Deb. 5s. 928–33 (14 February 1933); 86 H. L. Deb. 5s. 1024–8 (2 March 1933).

[172] *L.P.T.B., 1st Annual Report, 1933–34,* Par. 37; *2nd Annual Report, 1934–35,* Par. 47; *3rd Annual Report, 1935–36,* Par. 63.

[173] 302 H. C. Deb. 5s. 1871–5 (5 June 1935).

[174] *London Passenger Transport (Agreement) Bill, 1935, Memorandum on the Proposed Financial Resolution,* Cmd. 4929 of 1935, pp. 3–13. The Agreement is reprinted as a Schedule to both the London Passenger Transport (Finance) Act, 1935, 25 & 26 Geo. V, Ch. cxviii, and the London Passenger Transport (Agreement) Act, 1935, 25 & 26 Geo. V, Ch. 27.

charged to capital during the five-year period of construction, along with incidental expenses of the financial machinery.[175]

Certain aspects of the arrangement deserve special attention. The degree of Government aid, in the first place, is very limited. For all sums borrowed from the finance corporation, the L.P.T.B. must furnish as collateral corresponding amounts of "A," "B," and "C" Stocks in equal proportions, but if the rate paid on "C" Stock is insufficient to cover interest payments on the borrowings, such stock will rank prior to all other "C" Stock. Thus the Treasury guarantee would be implemented only if the Board were unable to pay 2 per cent on its "C" Stock generally, an extremely unlikely eventuality. Loans from the corporation must be fully repaid in fifteen to twenty-five years, far less than the probable life of the new assets, presumably by future borrowing on the unaided credit of the Board and railways themselves. Thus the direct effect is simply a saving in interest for a comparatively short period. In quantitative terms this saving is considerable. In July, 1935, the London Electric Transport Finance Corporation floated a £32,000,000 issue carrying 2½ per cent interest at a price of 97 per cent; the Board could probably not have raised money for less than 3¾ per cent.[176] A 1 per cent saving on the Board's share of the total prospective borrowing amounts to some £280,000 per year. It has been definitely stated on behalf of the Board that the high cost of development works in the predominantly industrial area of North-East London, considered along with the unusually heavy peak load and maldistribution of traffic throughout the day, would have made this programme impossible at the present time without Government support.[177] There is an additional indirect effect upon London Transport finance which has come into prominence since recent adverse factors in both revenue and operating expenditure have considerably lessened the likelihood of regular standard interest payments. By affording a source

[175] For an explanation of the Agreement by the Chancellor of the Exchequer, cf. 303 H. C. Deb. 5s. 711–23 (21 June 1935).

[176] At the end of 1935, yields on London Transport Stocks, except for the guaranteed "T.F.A." Stock, ranged from £3.14s. on "A" to £3.17s.6d. on "C."

[177] *L.P.T.B., 2nd Annual Report, 1934–35*, Par. 17. It it interesting to note that a corresponding £26,500,000 scheme for railway development, similarly financed through a Railway Finance Corporation, was announced in the autumn of 1935.

of capital alternative to the open market the agreement releases the Board from one major inducement to keep up the value of its "C" Stock, and makes less improbable the payment of sub-standard interest in two out of every three years.

With the broader aspects of Government public works policy we are not here concerned. The scheme was justified in the eyes of Parliament as much for its effect in reducing unemployment and stimulating industry as for the expected improvements in London transport.[178] Provision was made in the Treasury Agreement for a fair-wages clause, for obtaining labour from the employment exchange, and for use wherever possible of British materials, with preference for firms in the particularly depressed industrial regions known as the "special areas." To ensure observance of these conditions the Treasury retained general supervision over execution of the works. It is certain that without the suppression of competition achieved by the L.P.T.B. itself, and particularly by the pooling of receipts with the main line railways, the agreement would have been impossible.[179] The North Eastern Railway, in particular, would never have consented to expenditure on suburban electrification without a guarantee against undue road competition. Nevertheless, the outstanding relevant fact for our purposes remains, namely, that in accepting Government aid the L.P.T.B. has admitted partial failure in the chief financial objective of its establishment, construction of necessary extensions on the unsupported credit of London transport. It may well be that in a period of greater general prosperity this objective might have been achieved. Its achievement would have been equally certain in the absence of excessive capital payments by way of compensation to the transferred undertakings.

Gross revenue of the L.P.T.B. amounted to over £31,000,000 in 1935–36, of which £29,500,000 was derived from passenger fares. Rents and advertising receipts provided the substantial contribution of £985,000. A grant from the Treasury under the Development Act of 1929 of half interest for fifteen years on the Underground extension programme of 1930, negotiated by the Combine, amounts to about £270,000 annually. The Board took control of the undertaking at the beginning of a new expansion in traffic

[178] 303 H. C. Deb. 5s. 722–3 (21 June 1935).
[179] 303 H. C. Deb. 5s. 751, 768 (21 June 1935).

receipts following upon the low level of 1932, and the trend until 1937 was continuously upward, although at a rapidly declining rate. In the spring of that latter year, a four-week omnibus strike produced a serious decrease for the first time. In this early period the basis of fares has remained largely that of the displaced undertakings, honeycombed with unavoidable anomalies consequent upon fusion of a large number of charging methods. In general level, for instance, while the Underground railway, tramway, and omnibus charges were all calculated on a penny-per-mile basis for short distances, the Metropolitan charges ran from 20 to 50 per cent above that level and those of the L.C.C. tramways 17 per cent below. A variety of special concessions depended more upon direct omnibus and tramway competition along certain routes than upon considerations of optimum traffic distribution.[180] The Board has begun the slow process of removing anomalies and reducing the fundamental charging bases to uniform principles. On the road services, 6,258 fares have been reduced and 1,390 increased.[181] Adjustments necessarily tend to be in the nature of downward rather than upward levelling and must await for their completion improvement in the general position of the Board's finances.

Its desire to retain general good will makes curtailment of any service or increase in any fare by the Board difficult in the extreme.[182] Steady pressure toward extension of concessions has continuously lowered average receipts per passenger-mile, taking into account workmen's and cheap mid-day return fares, season tickets, and the like.[183] Some special rates in the past were undoubtedly uneconomic; others are designed to encourage traffic in the slack hours of the day and thus improve the Board's load factor. Experience has demonstrated the existence of a high elasticity of demand, especially in valuable off-peak travel, and on the whole a generally low fare level has been found to produce greater net revenue than a higher level with more restricted services.[184] Given

[180] Data on fares are taken from a memorandum kindly supplied by the L.P.T.B.

[181] *L.P.T.B., 3rd Annual Report, 1935–36*, Par. 38.

[182] *Ashfield to L.S.E.*, p. 20.

[183] F. Pick, "Some Reflections on the Administration of a Public Utility Undertaking," in 13 *Public Administration* 135, 137–8 (April 1935).

[184] Pick, in 75 *Transport World*, at p. 121.

the impossibility of substantial abandonments, and, from considerations of equity, severe limits to discrimination as between places, the Board's present charging system is probably not far from producing maximum net revenue.

Before distributing any of its passenger traffic earnings, the L.P.T.B. pools them with those of the suburban main line railway services. Almost two years were required for settling the details of the pooling scheme, which operates retrospectively as from establishment of the Board.[185] Under the scheme, each party retains in the first place certain defined working expenditure, limited to the prime costs of operating each service, together with allowances in respect of interest on new works; the balance is pooled. Distribution is in accordance with the adjusted results of each party in the year 1932. The Board receives some 62.1 per cent of the total, the Southern Railway 25.5 per cent, and the remaining railways 12.4 per cent among them. With the conclusion of these negotiations, competition between the L.P.T.B. and the railways was abolished and co-ordination in the future for through working, through bookings, interavailability of tickets, and common utilisation of facilities will no longer be hindered by conflict over the sharing of revenue. Harmonisation of fare policy through the Standing Joint Committee is also facilitated. It is impossible to overestimate the importance of this final step in co-ordination of London passenger transport, made possible only by the existence of the L.P.T.B. Its first fruit was the Treasury's scheme for development in the North-East.

Under the Act of 1933, the Board's revenues after application of the pooling scheme are applied to the following objects in this order:[186]

(a) working and establishment expenses, including maintenance and renewal, superannuation and pensions, rates and taxes, insurance, etc.;

(b) interest on temporary loans;

(c) sums payable to local authorities for interest and principal charges on tramway debts;

(d) interest on "A," "T.F.A.," "L.A.," and "B" Stocks in that order;

[185] *L.P.T.B., 1st Annual Report, 1933–34,* Pars. 20–4.

[186] Paraphrase of 1933 Act, S. 46(1).

(e) sums payable under the guarantee of Central London (New) Guaranteed Stock; [187]

(f) interest on "C" Stock at the standard rate;

(g) sinking fund charges for "A," "T.F.A.," "L.A.," and "B" Stocks;

And any surplus one half to additional interest on "C" Stock up to six per cent and one half to a general reserve fund.

The reserve fund is applicable at the Board's discretion to meeting deficits on revenue account, redeeming "C" Stock or purchasing it for cancellation, capital development, reduction of fares, or general purposes of the undertaking. Thus the Board is to accompany any general fare reduction or development out of revenue with extra interest on "C" Stock, although it could lower individual fares or make special concessions indefinitely at its dis-

		Railways[a]	Buses and Coaches	Tramways	Trolley Buses	All Forms
Total Expenditure, including Interest	£'000	7,517	13,735	5,610	156	27,018
Total Receipts	£'000	6,950	15,774	5,933	164	28,823
Number of Car Miles	Million	132.7	274.6	101.6	2.74	511.6
Capital per Car Mile	Pence	133.1	7.58	24.0	18.1	43.4
Interest per Car Mile[b]	Pence	6.08	0.35	1.09	0.83	1.99
Renewals per Car Mile	Pence	1.71	0.92	1.20	1.72	1.19
Operating Expenditure per Car Mile	Pence	5.81	10.74	10.96	11.08	9.52
Total Costs per Car Mile	Pence	13.60	12.01	13.25	13.63	12.70
Total Receipts per Car Mile	Pence	12.59	13.76	14.02	14.35	13.53
Number of Passenger Miles	Million	1,717	[c]3,739	2,361	[c]66	7,883
Costs per Passenger Mile	Pence	1.05	0.88	0.57	0.57	0.82
Receipts per Passenger Mile	Pence	0.97	1.01	0.60	0.60	0.88
Number of Passenger Journeys	Million	445.9	2094.8	1013.4	28.3	3582.4
Receipts per Passenger Journey	Pence	3.74	1.81	1.40	1.40	1.93
Average Seating Capacity of Cars		43.7	48.4	70.1	56.6	51.8
Average Number of Passengers carried per Car		11.1[d]	13.6	23.2	24.1	15.4

[a] Adjusted to give only Board's share of pooled receipts, and with allowance for running of L.P.T.B. trains over main-line system. The error introduced is inconsiderable.

[b] At average rate actually paid in 1934–35, i.e., 4.57 per cent.

[c] Rough calculation only.

[d] Calculated on the full number of miles run by the Board's trains, including runnings over main-line system.

[187] This is in connection with a minor provision of the Underground settlement. Cf. 1933 Act, S. 88(2)(d) and 3rd Sch., Part III.

cretion, and a certain flexibility in provision for renewals might be equivalent to minor capital improvements. In principle, certainly, the Board as a going concern was expected to furnish some additional payment quite regularly, at least until a considerable reserve had been built up.

About 10 per cent of the total expenditure is devoted to non-allocable general purposes. The remainder is distributed among the various services in a manner illustrated by the foregoing table for 1934–35, which compares in addition the receipts from each form of transport.[188]

Omnibus travel is thus at once the most expensive to the public and the most remunerative to the Board. Not only does its surplus revenue subsidise the railways, but it pays most of the general expenses as well. From the same table may be seen the leading economic characteristics of the different modes of transport. Most striking is the high proportion of capital charges in the total costs of the railways, which makes it essential to secure their maximum utilisation in off-peak periods. The devices of cheap evening tickets and reduced return fares to outer points after rush hours have already been adopted toward this end, and their further extension is to be expected. When it is considered that demands for new developments almost always concentrate upon tube extension the necessity for financial consolidation of these separate forms, as finally accomplished by the L.P.T.B., becomes evident.

The working results during the first three years are summarised in the table on page 300.[189] It will be seen that increasing gross revenue has been almost wholly absorbed by increased operating expenditure. Standard interest on "C" Stock was shortearned in 1935–36 by £384,000. Nor are the prospects for 1937 any brighter, for while adverse effects of the omnibus strike will be very largely transferred elsewhere through the traffic pool,[190] the trend toward

188 Compiled from data in the *2nd Annual Report*, and from additional data kindly supplied by the L.P.T.B.

189 Owing to acquisition of additional undertakings from 1933 to 1936, figures for the three years are not strictly comparable.

190 By the working of the scheme, the Board passes three eighths of its revenue losses on to the railways, and receives five eighths of their additional revenue from former 'bus travellers using their lines (minus an allowance for increased railway operating costs). Meanwhile the Board saves its entire variable costs of 'bus operation for duration of the strike, and therefore may conceivably have profited by it! Cf. 127 *The Economist* 344 (18 May 1937).

increased costs continues, and bids fair to be augmented. On the basis of results of the transferred undertakings for the three years to 1930, the Government's financial adviser estimated in 1932 that L.P.T.B. net revenue in its early years would reach £5,798,602, without taking into account any anticipated economies from consolidation.[191] In fact, net revenue has fallen short of this figure by 14.5, 11.5, and 10.3 per cent respectively in the first three years. The main causes for this discrepancy are to be found in concessions in fares, wages, and labour conditions, in generous provision for

	1933–34	1934–35	1935–36
	£	£	£
Total Traffic Receipts.....	27,379,351	29,016,085	29,724,723
Other Receipts.....	1,520,408	1,500,014	1,563,214
Working Expenditure.....	21,583,744	22,515,889	23,515,821
Provision for Renewal.....	2,020,500	2,526,000	2,300,000
Miscellaneous Charges, Including Income Tax.....	338,824	347,939	298,077
Net Revenue.....	4,956,691	5,126,271	5,202,671
Interest on Stocks other than "C", with payments to local authorities, etc.....	4,082,027	4,111,079	4,144,080
Interest on "C" Stock.....	874,664	1,015,192	1,058,591*
Rate of Interest on "C" Stock	3½%	4%	4%

* Includes £30,639 carried over in the "C" Stock Interest Fund.

renewals, and in increased fuel costs. Economies attributable to co-ordination under the Board must necessarily be very slow in taking effect. Progress has already been made in standardising rolling-stock and maintenance operations, but however great the eventual savings, the initial effects of these alterations are more likely in the reverse direction. In so far as elimination of redundant services tends to diminish staff, the Board is liable during the first five years for compensation to displaced officers or servants of the transferred undertakings. Advantages of rationalisation are

[191] *London Passenger Transport Bill, (A) Pro Forma Statement showing the application of revenue of the London Passenger Transport Board; and (B) Pro Forma Balance Sheet of the London Passenger Transport Board,* Cmd. 4204 of 1932, p. 3.

thereby often counterbalanced, and must await gradual wastage of staff with time. On the other hand, restoration of wage and salary cuts imposed in 1932, and a general advance in tram and trolleybus wages to bring them more in harmony with other branches of the service, have already added £860,000 a year to operating costs; concessions following the 1937 strike will increase this figure; while if the men's claim for a 7½ hour day is conceded, it will cost another £500,000. Higher fuel costs, partly the result of taxation, are responsible for further substantial items in the Board's expense account. Lord Ashfield has stated that the whole of the £735,500 addition to gross revenue in the first ten months of 1936–37 has already been more than absorbed.[192]

Under these conditions, it is clear that the standard rate on " C " Stock cannot be paid in 1937 and can be paid in 1938 only by reduction in provision for renewals or by the very dubious experiment of increased fares. The L.P.T.B. is thus placed in an unhappy dilemma, no outcome of which can be generally satisfactory. It is not charged with being unduly generous to labour, for the moral claims of " C " stockholders are doubtful by comparison with wage and hour concessions thus far granted and the men's case for further concessions, as presented in 1937, is very strong. The Board is faced with one of three courses: to pay standard interest in 1938 and 1941 alone, reducing the payments in intermediate years in order to build up a hidden reserve under the guise of " renewals provision "; to go into " receivership " in 1938 and voluntarily remake the bargain with " C " stockholders; or to ask the Government for aid. The second choice would in all likelihood be merely a prelude to the third.

There is a strong case for Government support to the L.P.T.B. at this juncture. The Board's difficulties are fundamentally due to excessive compensation paid for its undertaking. For that the Government (or its various predecessors) was responsible; should not the Government therefore shoulder its cost? Such assistance could take one of several forms. Direct revision of stockholders' statutory rights would be unjust to purchasers since the transfer, and smacks too much of confiscation to be seriously considered by

[192] In testimony before the Court of Inquiry into the 1937 Omnibus Stoppage, reported in 127 *The Economist* 344 (8 May 1937).

any Government, particularly one dominated by the Conservative Party. Relief from taxation, which costs the L.P.T.B. over £2,600,000 a year in addition to income tax, is a possible alternative. It has been strongly urged by the Board, which declares: [198]

> It is questionable whether public transport in metropolitan cities should bear burdens of such extent having regard to the necessity for operating such transport at a level of fares which permits of free movement for all purposes, for the health and convenience of a concentrated mass of people turns upon the ease and convenience with which they can move from point to point. This onerous taxation imposes a serious drain upon the Board's financial resources and handicaps the Board in discharging the responsibilities which Parliament has placed upon them. The Board feel compelled to put the facts upon record and to state their view that the burden is, in all the circumstances, unreasonable and excessive.

Again, the Government might subsidise new capital improvements to an extent sufficient to cover "C" Stock interest. The least objectionable solution would be a recalculation of just compensation for the transferred undertakings and assumption by the Treasury of capital charges on the excess. Assistance on any of these lines, however, would seriously affect the prestige of the L.P.T.B. in particular and the public corporation in general. While perhaps necessary, it is to be regretted on that account. The moral of this experience is obvious — that the greatest care must be exercised, upon transfer of private enterprise to public control, not to overburden the new undertaking with an unjustifiably heavy capital structure. Once the error is made, any remedy is inevitably disagreeable.

Within the narrow statutory limits which fix its financial obligations, the Board has a fairly free hand in administration. Under the Stock Regulations, the Minister of Transport and the Treasury act as watchdogs for protection of stockholders' legal rights; in the same way the Treasury indorses the Board's discretion in fixing interest rates and redemption dates for new stock. The Railway Rates Tribunal, on local authority initiative, is similarly empowered in the consumer's interest. Select Parliamentary Committees on Private Bills also consider the economic prospects of

[198] *L.P.T.B., 3rd Annual Report, 1935–36*, Par. 36.

proposed new works before giving their authorisation.[194] On the whole, however, so long as it pays its interest and, in the future, its sinking fund charges, the Board may manage its financial affairs without interference. A public check is provided *a posteriori* through auditors appointed by the Minister and publication of annual accounts under his requirements as to form and detail.

The statements of accounts, like the reports and service statistics, are extremely comprehensive and detailed, particularly in the itemising of capital and revenue expenditure. The Board has wisely demonstrated a willingness to take the public into its confidence which may go far to mitigate the distrust which accompanies the formation of every monopoly.

Unlike the C.E.B. the Transport Board has not constructed an undertaking *de novo*. Unlike the P.L.A. it has not had to lift an ailing enterprise from its semi-prostrate position to a sound financial footing. How its financial record will appear when the undertaking is fully consolidated it is as yet too soon to judge. That excess compensation was allowed was unfortunate; that in the very beginning of its career the Board should require Government credit for capital development, and perhaps additional Government assistance of a more substantial nature, is an allied and derived misfortune. Faced with statutory obligations impossible to fulfill, its management suffers no unfavourable reflection from its early difficulties. It has emerged from its first three years with an undertaking fairly launched, but one destined to encounter hazardous and uncertain seas.

4. *Administration and Operation*

The ultimate service provided by the L.P.T.B. is the daily transport of almost 10,000,000 persons and readiness, if necessary, to carry as many as 15,000,000.[195] For operation of the £110,000,000 machine which produces this service there has been organised a

[194] Cf. report of proceedings before a House of Commons Select Committee on the 1935 Bill, in *The Times*, 8 May 1935.

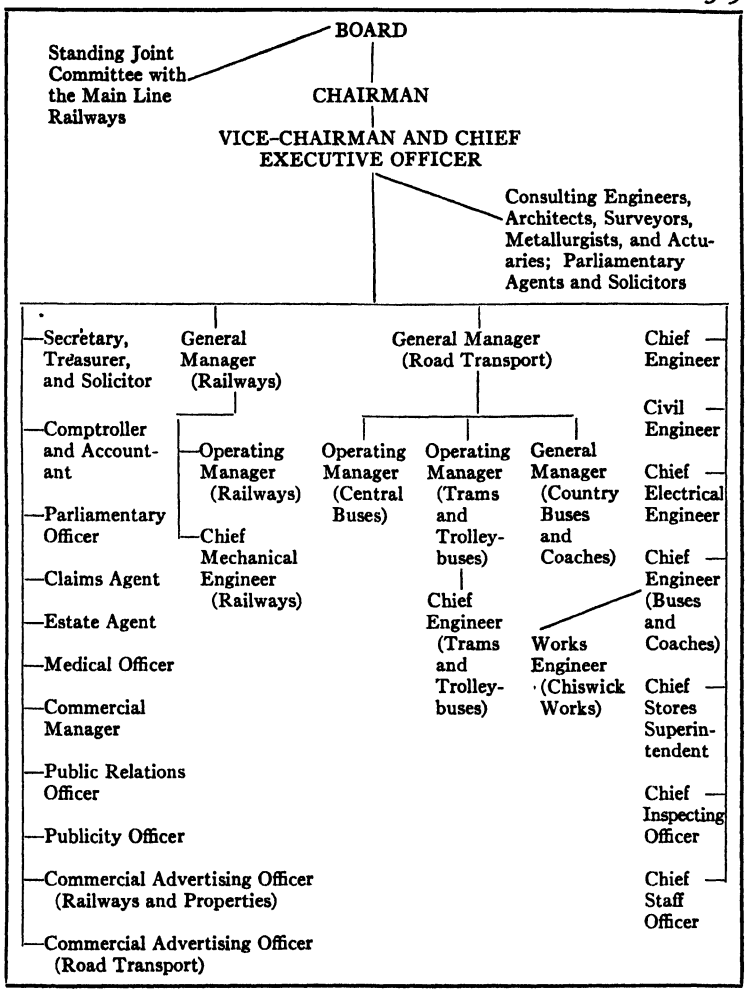
[195] On 4 May, 1935, in connection with the Royal Jubilee celebrations, 14,250,000 passengers were carried, a record. A further record was established on 28 January, 1936, the heavy traffic being caused by the funeral of King George V.

vast administrative body of almost 79,000 officers and servants. The focus of responsibility for the undertaking is the Board of seven members at the head. Meeting fortnightly it considers only questions of the broadest policy, in particular capital expenditure and development, the general financial position, determination of the rate of interest on "C" Stock, promotion of legislation, and important revisions of fares and facilities. Of the five part time members Mr. Ashley Cooper pays special attention to finance, while Mr. Cliff performs certain executive functions in connection with staff matters. Others may be assigned *ad hoc* duties of inspection from time to time. The Board as a whole, however, is in no sense a corporate executive body.

For co-ordination with the main line suburban services, the Standing Joint Committee with the main line railways acts in a parallel capacity in guiding policy. Including four members of the L.P.T.B, itself, it can raise in the exercise of this co-ordinate jurisdiction no conflicts of authority; its decisions are in any case subject to confirmation not only by the full Board but by the separate governing bodies of each of the railways. Its principal achievements to date are the mutual pooling scheme and plan for capital development under agreement with the Treasury.

Within the L.P.T.B., the two full time members are in fact the chief administrative officers of the undertaking. The relationship between Lord Ashfield and Mr. Pick, inherited from the Combine, is that of a strong Chairman taking the lead in matters of policy with the guiding hand of a commander-in-chief, and a strong managing director entrusted with direct supervision of execution of policy and administration proper. On the latter falls the immediate responsibility for day-to-day working, for maintenance of London transport as a continuous service.

With two full time members of the Board exclusively concerned with the regular functioning of the undertaking, no additional general manager has been found necessary. The chief officers, with the general scheme of distribution of responsibility, are shown diagrammatically on the following page. The general division into traffic services, arranged under the various modes of transport and common services, is clearly illustrated; most of the positions are self-explanatory. A special Public Relations Department is a comparative novelty, established in the spring of 1935



ORGANISATION OF THE LONDON PASSENGER TRANSPORT BOARD, JUNE, 1936.

to attend to relations with the Press, with local authorities and other associations interested in London transport, and with the general public through correspondence and a modicum of published propaganda.[196] The Board's feeling that such a department

[196] Cf. V. Sommerfield, *London Transport — A Record and a Survey* (1935), and various pamphlets dealing with the maintenance and overhaul activities of the Board, constructional operations, safety provisions, etc.

was required where none had existed under private ownership is significant of psychological elements in the change to public authority status. In general, of course, railway, omnibus, and coach services are organised on the lines of the Combine, the Metropolitan being assimilated, while for tramways and trolley-buses the former administrative machinery of the L.C.C. has remained dominant.

Liaison among the chief officers is provided by meetings of the heads of various departments under the Vice-Chairman, considering as a whole such matters as traffic, engineering, or staff questions. At this point the operation of the various forms of transport is harmonised into an organic system, although in actual operations each section competes with the others in an effort to produce more satisfactory results and to prove its superior value, a type of internal competition fostered by the Board.[197] Road transport is also co-ordinated at a lower level. Matters of sufficient consequence arising out of such meetings are referred in the first instance to the less frequent Chairman's meetings, and then, if necessary, to the Board itself.

Of the 78,966 employees of the L.P.T.B. the wages grade accounts for about 75,000, the remainder being salaried. The distribution among forms of transport is as follows:[198]

Railways	14,403
Omnibuses and Coaches	42,390
Trams and Trolleybuses	19,848
Common Services	2,325
TOTAL	78,966

Manufacturing and maintenance workers are grouped with their respective transport forms, although many of the repair men are not 'busmen or railwaymen in the usual sense. The great majority of the staff is engaged either in repair and engineering operations, or in direct provision of services, as drivers, conductors, station porters, ticket collectors, and the like.

The present personnel, wages, and working conditions are based for the most part on those of the pre-existing undertakings. Where the establishment of the Board involved amalgamation of similar

[197] Pick, in 75 *Transport World*, at p. 122.
[198] *L.P.T.B., 3nd Annual Report, 1935–36.*

services formerly under diverse managements, as with the fourteen municipal and Underground tramways, the Metropolitan and Underground railways, the Independent and Underground omnibuses, some arbitrary differences in working conditions or rewards immediately became apparent which could not justifiably be retained. In general, standardisation for each type of transport and grade of service has approached the best pre-existing level.[199] Differences between the various sections of the undertaking, even when originally due to competition no longer operative and apparently anomalous under unified ownership, are by now accepted features of London transport employment, and the Board has made no attempt at universal levelling. Thus omnibus drivers receive a maximum of 90s. a week and conductors 84s., but tramway and trolleybus wages are similar for both drivers and conductors at 80s. Railway wages and conditions follow the nation-wide union agreements, and except for the engine-drivers are substantially inferior to those of other branches. The forty-eight hour week is general, again with the exception of railwaymen, who work thirteen days each fortnight. Road-service workers on the outer fringes of the Transport Area are slightly less well paid than those in the centre, following the well-established differential between London and the provinces.

A fairly sharp distinction is drawn between wages and salary grades. The latter enjoys superannuation rights on an equal contributory basis; the former has none, with a few exceptions where such rights were transferred with the employee, although negotiations for establishment of a general scheme are in progress. Promotion to the higher grade is not infrequent, and provision is being made for its regularisation through special training for the most promising younger employees. A number of recently created junior positions of officer rank will probably be regularly filled with men trained in the Board's service. Recruitment became substantial for the first time in 1936, when the staff was increased by 1,500. Candidates are drawn from elementary, secondary, and technical schools, and it is expected to open a few positions to university graduates. No formal examination machinery has been established, but schoolmasters' recommendations and examination certificates are considered. New employees are placed on pro-

[199] Pick, in 13 *Public Administration*, at pp. 139–40.

bation for a year, after which security of tenure is high and opportunity for promotion excellent, far superior to that in the Civil Service. Non-promotion rather than dismissal is the penalty for relative inefficiency. The Underground Combine was known as a good employer, and its happy legacy has been improved upon by its successors.

Union organisation is almost universal. The railway operating staff, numbering about 10,000, is divided among the three national railway unions, the National Union of Railwaymen, the Associated Society of Locomotive Engineers and Firemen, and the Railway Clerks Association. 55,000 omnibus, coach, tram, and trolley-bus workers are members of the Transport and General Workers' Union, while a number of former L.C.C. employees in the supervisory grade have retained a special London Passenger Transport Staff Association.[200] At the various maintenance works, most employees belong to craft unions, associated together for negotiating purposes in a London Transport Trades Committee. Statutory conciliation machinery applies only to the railway, clerical, administrative, supervisory, and technical branches, and includes a Negotiating Committee appointed half by the Board and half by the three railway unions, and appeal to a Wages Board similarly appointed, with four additional members chosen by outside labour and employing associations and an independent chairman from the Ministry of Labour.[201] The latter body has not yet been convened. These employees also enjoy a complete system of Staff Councils.[202] The Transport Union has preferred to carry on negotiations through *ad hoc* committees conferring with representatives of the Board rather than to be bound by statutory machinery, but arrangements are agreed between Board and Union and the latter's officials support their thorough utilisation before authorising more radical action.[203]

L.P.T.B. labour relations have generally been fairly friendly. Minor causes of friction in regard to details of operating schedules,

[200] Cf. the monthly publication of this association, *London Lines*.

[201] 1933 Act, SS. 67–8, 71–2. Also pamphlet published by the L.P.T.B., *Establishment of (a) Negotiating Committee and (b) Wages Board* (1934).

[202] 1933 Act, S. 70, and pamphlet published by the L.P.T.B., *Scheme for Establishment of Staff Councils* (1934).

[203] Cf. the instructions to strikers by Mr. E. Bevin, reported in *The Times*, 27 July 1935.

displacement of men by automatic devices, and operation of the disciplinary machinery arise from time to time, but the Board has shown itself ready to consider grievances. Wages have been raised in all branches, concessions going well beyond restoration of the 1932 level and totalling about £1,000,000 a year. Nevertheless, the Board has experienced since 1935 seven short unofficial omnibus and coach strikes, unsupported by the Union but causing considerable temporary dislocation. The nature of its undertaking and direct reaction of stoppages on the general public make the L.P.T.B. peculiarly vulnerable to strike action, which in one case achieved its object.[204] Naturally, however, the Board cannot afford frequent repetition of such occurrences, and its recent tendency has been to refuse negotiation in cases of unofficial strike action. The widely publicised official strike of 1937, coinciding with the coronation of King George VI, which kept omnibuses off the London streets for the entire month of May, arose out of a claim for a seven (later reduced to seven and one half) hour day, in addition to a number of minor grievances. It was authorised by the Union only after lengthy efforts at peaceful settlement. A Ministry of Labour Court of Inquiry recommended expert examination of the men's claim that eight hours' operation under speeded-up schedules was detrimental to health, and negotiation of minor differences.[205] By virtue of strong action on the part of the Union's national Executive Council, which overrode the Central 'Bus Committee in immediate charge of the strike, these terms were accepted on 26th May, and agreement was soon reached on all but the major claim. Many of the difficulties are due to conflicts within the Union itself, and reflect no malfeasance on the Board's part.

It will be recalled that the duties of the L.P.T.B. are prescribed to it in these terms by the Act of 1933: [206]

> to secure the provision of an adequate and properly co-ordinated system of passenger transport for the London Passenger Transport Area . . . and for that purpose, while avoiding the provision of unnecessary and wasteful competitive services, to take from time to time such steps as they consider necessary for extending and improving the

[204] *The Times*, 3 July 1937.
[205] *Ibid.*, 7 May 1937.
[206] 1933 Act, S. 3(1)(a).

facilities for passenger transport in the area in such manner as to provide most efficiently and conveniently for the needs thereof.

The undertakings and parts of undertakings . . . transferred to the Board . . . shall constitute, and be administered by them as, one undertaking.

In practice this means daily operation of railways over 220 route miles, road services over 2,463 route miles, and trams and trolleybuses over 345 route miles. When it took over this huge enterprise there were three chief tasks before the Board: continuance of the service, co-ordination, and development.

Continuance of the service speaks for itself. Earlier undertakings had evolved a comprehensive system of passenger transport, not without its defects, but approaching some ideal of adequacy in most of the area; the Board had in the first instance simply to carry on this work. One feature is worthy of note for its contrast with the P.L.A., namely the departmental administration of maintenance and overhaul. The industry lends itself to regularity in such operations, which absorb 18 per cent of total operating expenditure and employ 8,000 workers. Concentration of overhaul for each type of transport at centralised works, following the practice of the Combine, has been a fruitful source of economies for the L.P.T.B. Generation of electricity at the Board's three power houses is also under departmental administration, organised by the Chief Electrical Engineer. In general, the Board has continued the methods of the Combine in maximum mechanisation in both operating and maintenance, a policy stimulated by and at the same time making possible the steady upward trend in wage rates.

During the first three years, co-ordination naturally claimed a disproportionate share of the Board's energies. Arbitration proceedings and the transfer of undertakings continued throughout that period, but concerned relatively unimportant services. The major problem of railway co-ordination, bringing the Metropolitan into harmony with the rest of the underground system, was early accomplished in regard to maintenance work, but thoroughgoing physical consolidation and the possibility of through running without regard to the former division of ownership must await completion of the development scheme inaugurated in 1935. On the roads, omnibus services in the central area had been

largely co-ordinated under the London General Company, but arrangements for the outer portions required radical alteration. In each such sector needs were carefully studied and comprehensive schemes devised for their satisfaction. Here too rolling stock has been standardised and overhaul centralised. Coach services have likewise been co-ordinated, other undertakings being harmonised with the Underground's Green Line System. Less radical action has been taken on the tramways, although in certain areas, where omnibus competition was severe, facilities have been reduced to a closer correspondence with total demand. In general, however, whether from force of habit or otherwise, the public has not favoured total discontinuance of parallel services. A new factor is the gradual substitution of trolleybuses for tramcars, affording added road flexibility and the possibility of taking on passengers at the kerb, as well as removing the danger and inconvenience to other road traffic of the tram lines.

On the whole sufficient progress has been made in rationalisation to demonstrate positive advantages in the planned provision of transport as against regulation by spasmodic and necessarily limited competition. In the words of the Vice-Chairman: [207]

> The whole atmosphere in which the work is carried on and the whole attitude towards the circumstances of the problem have been changed. It is a noteworthy gain to have placed the study of traffic and the determination of its problems upon a scientific footing.

Development thus far carried out has been largely in completion of programmes initiated by the Combine, but with a number of additions introduced by the Board. The northward extension of the Piccadilly Line to Cockfosters, begun in 1930, was opened over its entire length in 1933. Many tube stations have been reconstructed or modernised and interconnection facilities provided. Constant accretions to omnibus services [208] and standardisation of rolling stock have necessitated provision of 1,300 new vehicles. Garages have been reconstructed or replaced by new buildings. Notable improvements have been made at the power houses.

Barring the Piccadilly Line extension, the greater share of these

[207] Pick, in 75 *Transport World*, at p. 120.

[208] Cf. 293 H. C. Deb. 5s. 1048–9 (7 November 1934).

improvements is directed toward securing the " marginal penny " of the traveller in areas with a relatively adequate service. A new tube station facilitating platform changes and most rapid approach to trains by its arrangement of escalators, or attracting passengers simply by its aesthetic qualities, has often been found to justify itself on economic criteria alone. The outstanding problem in London passenger transport, however, a source of deserved dissatisfaction for a quarter century, is the recognised inadequacy of facilities in North, North-East, and East London. A population increase of one third since the pre-war period had witnessed no parallel improvement in transport until the works of 1930; with that beginning the problem was only approached.

The general nature of the appropriate remedies was sufficiently understood; indeed they had been outlined by the Traffic Advisory Committee in 1925. They involved primarily tube extensions and electrification of London and North Eastern suburban lines, in both the eastern and north-eastern segments. For financial reasons already described, neither Railway nor Board were willing to undertake this task on their own credit, even after the total abolition of internal competition. Estimated to cost £18,000,000, these works form the core of the capital expansion programme with Government aid begun in 1935 under agreement with the Treasury.[209] L.N.E.R. lines will be electrified on three branches in the north-east and the Central London tube extended to join with them. In the north, the Highgate and Northern City tubes will similarly be extended to form junctions with newly electrified railway lines. Thus the fundamental policy of through railway running without termini in the central or even sub-central area, eliminating inconvenient interchanges, improving traffic density in " rush " periods, and obtaining improved acceleration from electrification, will be extended from the western sectors where it was implemented by the Combine to these further areas, pointing the way to its eventual universal adoption. For East London proper, reconstruction of the Aldgate East Station will permit through running of Metropolitan as well as District Line trains along the Thames to Barking and Upminster. Surface facilities

[209] For a description of the proposed works, cf. *L.P.T.B., 2nd Annual Report, 1934–35*, Pars. 25–34. They are set out formally in the schedule to the Agreement scheduled to the London Passenger Transport (Agreement) Act, 1935.

will likewise be improved by substitution of trolleybuses for tramcars.

Nor is this almost revolutionary project confined to the east. New electrified tracks on the Great Western Railway between North Acton and Ruislip will provide interconnection with the Central London line and direct services between these areas of new housing development and the City or West End. The main line of the old Metropolitan Railway north of Baker Street will at last be consolidated with the general system of underground transport by means of a tube joining it with the Bakerloo Line, permitting through running between the West End and the suburban area tapped by the Metropolitan. In conclusion, the agreed programme contains provision for enlargement of electric generating plant and reconstruction of several stations.

Completion of these works by 1940 will consummate the most rapid large-scale development in the history of London transport. It will fill the more obvious gaps in coverage of the railway system, necessarily the basic means of long-distance travel between suburbs and city, and bring transport facilities into closer harmony with contemporary housing expansion. Yet the Board's function of development will by no means be entirely fulfilled. Congestion in the east will remain.[210] In the north and north-east there are considerable built-up areas served by neither present nor proposed electrified lines.[211] The rapidity with which new concerns are being established along the lower Thames and in the western suburbs, following the persistent post-war southward trend of industry, promise continued building activity and growing pressure upon existing services. The Board and the railways are well aware of these problems of the future, and there is no reason to suppose that they will diminish effort toward their solution.[212] In any case, the instant scheme is an advance of heroic proportions. Considerations of finance aside, its preparation in a period when the L.P.T.B. was still busied with acquisition of new undertakings, arbitration proceedings, settlement of the pooling scheme, and other matters incidental to its establishment, is a

[210] 303 H. C. Deb. 5s. 728–30 (21 June 1935).

[211] In particular Enfield and Tottenham. Cf. 303 H. C. Deb. 5s. 732–3 (21 June 1935); and 121 *The Economist* 332 (17 August 1935).

[212] Cf. letter from the L.N.E.R. General Manager quoted at 303 H.C. Deb. 5s. 773 (21 June 1935).

tribute to the enterprise of the Board and reflects a will to surmount without delay the leading obstacles in its path.

It is not to be supposed that the Board by its unaided efforts can solve every traffic problem now facing the London populace. Rush-hour congestion is very severe; the peak load on some lines averages over three times the available number of seats.[213] Yet double-tracking for peak purposes only would be prohibitively expensive. An alternative solution may be found in co-operative measures by commercial and industrial organisations to spread the peak by varying their daily opening and closing hours. The Minister of Transport has already taken steps to sound out the possibility of such action. Moreover, as London's population moves toward the outer belt of the metropolis, road congestion becomes increasingly severe, with private cars playing no small part in the total. If this trend continues, it may be found necessary to discourage private as against public transport, through discriminatory taxation or otherwise. The Board may be expected to contribute its share, but external assistance will be essential to provide conditions under which that contribution is possible.

In its earliest years of operation the L.P.T.B. has shown no lack of initiative. The capability of its administration has been amply tested by the record traffic of the Royal Silver Jubilee of 1935 and the royal funeral of 1936, and found adequate. Through its Public Relations Department and the Advisory Committee it is receptive to public suggestion and responsive where it considers such suggestion justified.[214] Improvements, minor and major, have been a regular feature of its régime and show no signs of slackening. It has already become, in short, a successful going concern.

Yet this period is but its honeymoon. Its leaders and staff have been a focus of public interest in a new type of administrative agency and have felt themselves on trial to prove its practicability. Its life thus far is one of growth in a growing community; it has yet before it the harsh test of a static or contracting environment. Even now its officers feel the pressure for new services, for fare concessions, and for improved labour conditions as a process of

[213] *L.P.T.B., 3rd Annual Report, 1935–36*, Par. 16.

[214] Cf. statement in regard to Sloane Square Station in *The Times*, 24 July 1935; and letter from the L.P.T.B. Public Relations Officer, *The Times*, 18 September 1935.

attrition continually undermining its economic foundations and counteracted only by the panacea of expanding demand.[215] No major question of policy has yet been raised with potentialities of public or Parliamentary antagonism. The constitution, in particular the device of Appointing Trustees, will not be tested until the need arises for finding the Ashfields and Picks of the future.

Another decade must pass before details of L.P.T.B. constitution or organisation can be criticised on other than *a priori* grounds. In matters other than its finance early experience can afford only negative conclusions: its area, its powers, its independence are not inadequate. Melbourne and Buenos Aires have already chosen the Board as their model for reconstituted passenger transport services. It is not yet certain that this specific public corporation is in every way a satisfactory body for the administration of London transport; it is, however, already clearly evident that London transport is a fit subject for administration by a public corporation.

[215] Pick, in 13 *Public Administration*, at pp. 135–43.

CHAPTER VI

THE NATURE AND SCOPE OF THE PUBLIC CORPORATION

THE form of the public corporation, its position in the political and economic structure of the nation, and the validity of achievements in the past as a guide to extensions of its scope, are clearly associated in an intimate manner with the specific content to which it has thus far been applied. Transport, broadcasting, and electricity supply all share a number of general characteristics implying by their nature the impossibility of completely unregulated private enterprise, grave disadvantages in the operation even of a limited profit motive, and at the same time a set of corresponding disadvantages in State enterprise in the sense of civil service administration under a Minister responsible to Parliament. These features, common to and constituting so-called "public utilities," may be summarised as combining outstanding importance to the community with natural monopoly.

Natural monopoly implies not inevitable growth of monopoly in the absence of political action, but inevitable imperfection of competition and strong grounds as a matter of policy, given protection against its dangers, for artificial establishment of absolute monopoly. For technical reasons alone, as has been shown, only a limited number of broadcasting stations may operate in Great Britain; in a given area, likewise, railways, electric supply lines, and docks must be limited. To this simple geographical condition is added the need, broadcasting excepted, for a large investment in fixed capital, which in itself restricts freedom of entry and exit in the industry. In such spheres private competition can at most be monopolistic competition. American broadcasting, the London docks under the old régime, London transport before 1933, and the British railways until 1921 are obvious examples of the expression of these underlying technical considerations. Inherent in monopoly is capacity for exploitation of consumers; as a result, in none of the industries now operated by a public corporation has there even been complete freedom of private enterprise. Every electricity supply undertaking is licensed by special order or Act of Parliament; the old Broadcasting Company had

its licence from the Postmaster-General; railways, tubes, and dock companies were the creations of Parliament through private legislation, which limited charges, dividends, and conditions of operation, and in many cases prescribed a minimum service. In certain fields, notably electricity generation and local distribution, gas supply, road and rail transport outside London, and in some cases water supply and provision of harbour facilities, such regulated private undertakings remain either predominant or an important alternative to municipal operation. What, then, was the peculiar feature common to broadcasting, the London docks, electricity transmission, and London transport which led to their removal from direct control of private interests?

In essence, it was undesirability of the profit motive, no matter how confined, as the ultimate criterion of policy in the management of these industries. Broadcasting is in a unique category, for it is there impossible to relate revenue in any close sense to adequacy of the service, once past the earliest stages of development. Even the American technique of broadcasting organisation substitutes for the direct choice of consumers advertisers' opinions of the taste of their prospective customers, and in any case involves in the British view overriding disadvantages. Elsewhere the principle was at the same time less obvious and more widely applicable, involving particularly strong grounds for monopoly rather than monopolistic competition. Optimum allocation of traffic to available means of transport in London necessitated an undertaking accounting for the entire service as a whole; Great Britain was the minimum area technically suited to a general high tension electricity grid; maximum exploitation of London dock facilities required unified control. In each instance, moreover, despite a widespread demand for new facilities, effective in the sense of promising to cover their cost, no single concern among the competing groups could be found willing, or could find investors in the money market willing, to undertake the risk of large-scale capital improvement while remaining uncertain of the action of competitors. Monopoly was an indispensable prerequisite to enterprise.

Why, in that case, were not private monopolies established, under suitable safeguards? Why, in particular, were even Conservative Governments persuaded, over the strong opposition of

considerable sections of their back-bench supporters in Parliament, to adopt instead the Central Electricity and London Transport Boards, public authorities not working for profit? It is clear that a private monopoly, no matter how limited by law, can offer no assurance of maximum facilities at cost. Without any outside control of charges its primary object would be acquisition of monopoly profit through restricted service at high rates. Even with fixed statutory maximal limits on charges, or the device of a sliding scale relating charges and dividends generally applied to electric power and gas distributors, there would be no incentive, but rather positive disadvantages from the view-point of the entrepreneur, in extending services to less remunerative areas of demand which none the less would cover their costs. Only if the operating efficiency of private enterprise were so superior to that of a non-profit making alternative as to outweigh these considerations could its adoption be acceptable, but experience with the London dock companies in particular, and with many existing large-scale private concerns which lack the spur of competition, indicates quite the reverse. Long-range planning, essential to satisfactory service where fixed capital in high proportions and huge discrete blocks characterises the industry, is not easily undertaken by private enterprise when it involves a nice financial balance over many years. It is unlikely that capital could have been secured from the money market at reasonable rates to finance a private concern frankly committed to deficits during its first five years of trading, but the C.E.B. has succeeded in exactly that course of procedure. The needs of London's shipping and passengers similarly required many years' anticipation, but a private monopolist would be judged not on his success in meeting all demands for his services, but simply upon the state of his net revenue account, regardless of sectors of the public wholly unserved. Administrative complexities of regulative machinery, moreover, with the friction of a double set of operating and controlling officials, might severely endanger working efficiency.

Finally, and perhaps decisive in turning the political balance in favour of public enterprise, there were non-economic factors. Not only, in Pigovian terminology,[1] was State intervention desirable because the net private marginal productivity derived from in-

[1] A. C. Pigou, *The Economics of Welfare*, Book II, Chap. 9.

creased investment in these fields fell short of the net social marginal productivity, but monopoly control involved social decisions with implications for national policy of a broader nature, decisions which Parliament could not entrust to sectional interests concerned in the first instance to draw a profit from their operation. With broadcasting this consideration is self-evident and conclusive. Control of the national electricity grid, in increasing measure as electrification becomes universal and charges less bound by accidents of the past, may embody decisive influences in determining the location of industry, the growth of towns, and the national distribution of population.[2] On a smaller scale, control of London transport may have precisely similar consequences in the metropolitan area.[3] When the P.L.A. was established, more narrow economic motives were doubtless predominant, but national port co-ordination would introduce in this field too the necessity of social and political decision. All in all, a formidable case was presented in each instance for a publicly operated monopoly service.

Administration by the community in the conventional manner suffers from disadvantages of a different qualitative order, but none the less comparable in magnitude to those of private enterprise. It was the custom of late eighteenth and early nineteenth century economists to raise two objections, both in their minds insuperable, to State enterprise: (1) lack of incentive and (2) administrative deficiencies in the system styled "bureaucracy."[4] The nature of incentive has been radically altered since the early years of the industrial revolution by the widespread

[2] Cf. A Wolff, "Aufgaben und Organisationsformen der öffentlichen Unternehmung im Gebiete der Elektrizitätswirtschaft," in Landmann, *op. cit.*, Part II, Chap. II, pp. 133–8.

[3] Cf. report of Mr. Frank Pick's address, "The Organisation of Transport," to the Royal Society of Arts, in *The Times*, 12 December 1935.

[4] Cf. the authors cited by A. Amonn, "Die Einnahmen aus Privat- und Oeffentlichwirtschaftlichen Unternehmungen," in *Handbuch der Finanzwissenschaft*, Vol. I, at pp. 339–40. It is noteworthy that Adam Smith supposed the same disadvantages to apply to the joint stock company, stating that: "The only trades which it seems possible for a joint stock company to carry on successfully, without an exclusive privilege, are those, of which all the operations are capable of being reduced to what is called a routine, or to such a uniformity of method as admits of little or no variation." *Wealth of Nations*, Book V, Chap. I, Part 3. As experience indicated the exaggerated quality of this view, it became transferred from the joint stock company solely to public enterprise.

diffusion of large joint stock companies, salaried managers of which are, superficially at least, in no way distinguishable from the general manager of a public corporation. It is not irrelevant in this connection to note that Lord Ashfield, as Chairman of the Underground Electric Railways Company, was entirely without financial interest in the undertaking, other than his salary, for a number of years before the establishment of the L.P.T.B.[5] The more subtle motivations actuating the board of a public corporation, substituted for hope of profit and fear of loss among private directors, will be considered later; let us for the moment analyse the traditional administrative defects of public enterprise in the commercial field.

A frequent hindrance to direct municipal enterprise, not intrinsic in local government as such, is inadequacy of area. Conflicts of interest impede effective joint working agreements among popularly constituted authorities. In the metropolis particularly, extension of convenient administrative areas for certain purposes beyond that of the County Council or even of the Metropolitan Police has been a fruitful source of *ad hoc* authorities. The Metropolitan Water Board owes its existence almost solely to this consideration. It was a strong although probably not decisive factor in the establishment of the L.P.T.B., the P.L.A., and in Liverpool the Mersey Docks and Harbour Board. Area aside, however, a number of defects inhere in direct administration by political entities equally applicable to the national State or to local authorities.

Control of a commercial enterprise by bodies primarily adapted to making political decisions, in the first place, is subject to grave abuse. Administration proper should be non-political, but the committee of a municipal council or a Government Department guided by a Minister may be too easily subject to political pressure. In the former instance, the organised electoral force of the employees may unduly favour their interests at the expense of unorganised consumers, and charges and facilities may become the subject of local political campaigns. In the latter, organised sectional interests of any sort may influence the legislature in a manner detrimental to the general interest. In contrast with institutions of the American presidential form of government, the

[5] 86 H. L. Deb. 5s. 995 (2 March 1933).

British parliamentary system is reasonably well equipped to withstand such pressures by the filter of collective cabinet responsibility, but it is not free from them. The questions of policy to be resolved in administration of a public corporation are not political in the ordinary sense, and are probably not best resolved by Parliament. In broadcasting, above all, where determination of policy is of the highest importance, it has been shown that on the liberal democratic principles of the British State a Government Department is particularly unsuited to this role. In other fields, the very lack of expertise of elected Members of Parliament, and prime importance of continuity of policy, unfit them for control.

Associated with these political considerations are more purely administrative objections to "bureaucracy." The civil service tradition implies a rigid hierarchical organisation of authority, focussing upon the permanent Departmental secretary or his political chief; its actions must at every point be open to public scrutiny and it must at every point be able to disprove allegations of arbitrary action or of misuse of public money. Ministers necessarily change with changes in party balance in the House of Commons. Some posts, notably that of the Postmaster-General, are held merely as early stages in a political career, inhibiting real acquaintance with the work of administration. The possibility of Parliamentary interpellation upon any detail of administration crystallises rigidity and over-centralisation; an ex-Postmaster-General declares that as a result of this direct legislative control, "the minutiae of administration come right up to the highest officials, diverting their minds from broad matters of policy."[6] However well suited to routine administration, the complete security of tenure characterising the civil service, with a tendency to promotion by seniority rather than merit, probably fails to offer an adequate spur to expression of originality, a first necessity in broadcasting, or to the salesmanship needed to create demand for a service. It is above all on the financial side that Departmental methods are defective when applied to commercial enterprise. Public accounting, devised for tax collection and spending services, is based simply on a cash account, and cannot display the true commercial position of a self-supporting service. Thus

[6] C. R. Attlee, "The Bridgeman Committee Report," in 10 *Public Administration* 352, 355 (October 1932).

until 1933 all receipts from the Post Office flowed directly into the Exchequer, while disbursements were made under strict Treasury control by authority of the annual Post Office Votes.[7] Only the device of nominal Commercial Accounts in addition to the National Finance Accounts enabled critics and administrators to appreciate the economic results of the undertaking. Without financial autonomy, moreover, a public service is deprived of one of the chief incentives to efficient operation, the possibility of demonstrating to the public a corporate achievement and the knowledge that savings in operating costs may either be applied to further developments in which officers and staff take personal pride, or passed on in reduced charges, in any case redounding to their credit. Rigid control of expenditure by the Treasury, which in its nature "is not really concerned with economy but with parsimony,"[8] puts initiative and willingness to assume non-insurable risk at a discount, a deadening influence upon any organisation not concerned with purely routine operations. Even more than Parliamentary questions, it rigidifies the hierarchical structure in which authorisation from above is required for every decision.

No unchallengeable principle inevitably connects with Departmental administration every disadvantage thus rapidly surveyed. Only the Post Office is so managed in Great Britain, and it is not unfair to attribute to its operation before 1933 all these defects of principle, which in practice were of varying consequence in direct proportion to the commercial character of the services performed.[9] Chronic criticism over a number of years crystallised in the drastic reform proposals of Lord Wolmer, based on four and one half years' experience as Assistant Postmaster-General, who advocated establishment of a public corporation to administer all the communications services, financially independent and supervised by a body similar to the Railway and Canal Commission.[10] A committee of inquiry under the Chairmanship of Lord Bridgeman, reporting in 1932, rejected the Wolmer scheme, but advised modifications in the direction of increased financial autonomy and

[7] *Report of the Committee of Enquiry on the Post Office, 1932* (*Bridgeman Report*), Cmd. 4149 of 1932, Par. 62.

[8] Attlee, *op. cit.*, at p. 359.

[9] Cf. Wolmer, *Post Office Reform*, Chaps. III–VIII.

[10] *Ibid.*, Chap. X.

decentralisation within the existing organisation, leaving Parliamentary control through a responsible Minister.[11] A separate Post Office fund was subsequently established and a functional Board set up which plays the part of an executive board of managers under the limitations of direct Ministerial control. The chief financial objections to Departmental administration are thus removed, but political and administrative objections remain. It must be remembered that the Post Office stands in a stronger monopoly position than any undertaking now administered by a public corporation other than the B.B.C., that it can thereby afford more waste than others, and that much of the mails service is routine in nature. It is at least questionable that the telephone and telegraph services, were they being nationalised to-day, would be placed under a political Department of the central Government. The Forestry Commission, as has been indicated in the introductory chapter, deals with an undertaking of semi-Governmental and semi-commercial character, and falls in its constitution between a sub-department and an independent public corporation. For the definitely commercial services treated at length in the present work, and on special grounds for broadcasting, the traditional technique of Parliamentary, Ministerial, and Treasury control is wholly relaxed, and in its place substituted the public corporation based on the principle of virtual autonomy, limited only by negatively operating machinery.

In form, the public corporation is an adaptation of the large joint stock company to public enterprise. Its fundamental characteristic is the total absence of profit maximisation as a criterion of criticism or guide to policy. In administrative structure, the apparatus common to private undertakings is bodily transplanted, but the withdrawal of profit-making in itself necessitates special constitutional machinery to direct the management. Here are undertakings with more or less powerful monopoly powers, and therefore with a range of discretion in determining the scope and quality of their services. The choice between the multitude of competing claims for increased facilities, for reduced charges or special concessions, for bettered working conditions or wages, must still be made, but no longer under the sole principle of maximum profit. Once costs are covered, social considerations

[11] *Bridgeman Report*, Pars. 49, 127–30.

hold sway, variable conceptions of the general good of the public concerned. To establish governing bodies capable of exercising proper judgment upon such matters of policy and able to ensure their translation into action is the positive constitutional problem of the public corporation; to subject them to co-ordinating supervision from above and prevent arbitrary action, and to open the management to Parliamentary, public, and sectional criticism and suggestion without sacrificing freedom of administration or resistance to purely sectional pressure, are the negative problems.

The positive problem is focussed in practice upon the method of choosing the governing board. From this view-point, it has been shown, public corporations are divisible into two broad groups, the representative and the appointive. In considering the P.L.A. we have seen that a successful representative public corporation cannot consist of a mere congeries of conflicting interests from the struggle of which a harmonious policy might arise. The electing groups must be endowed with an overriding direct common interest superior to their sectional interests, which serves as the guiding force. They must, moreover, be compact and organised bodies, covering a sufficiently small area to permit general acquaintance with the most competent personalities, and possessing administrative machinery to resolve beforehand any acute internal differences of outlook. London merchants and shipowners, organised in their trade associations, fulfil these conditions; so to a lesser degree do the local authorities represented on the Metropolitan Water Board. As the central objective for P.L.A. policy, the common interest of those groups is adequate, and on the most fundamental question of policy, the choice between extended facilities or reduced charges, they are best qualified to judge. Under such conditions, delegation of ultimate authority to immediate consumers is a relatively simple matter, and they are supplemented by minority representation of lesser interests, labour, local authority, and governmental.

The concomitance of these necessary conditions precedent, however, is fortuitous and rare. It canalises the profit motive at one remove, but in such manner that the resulting policy harmonises with desirable public policy. By contrast, marketing monopolies representative solely of producers, like the boards recently established under the Agricultural Marketing Acts, which superficially

resemble the representative public corporation, share as their most direct common interest restricted production as a means of monopoly exploitation, which must be restrained like any producers' monopoly. Efficient marketing may also be a common interest, to be sure, but it is not dominant. In most spheres the desirable central objective of policy is not reducible to the common interest of a number of organised private groups. Thus a joint municipal body to control London transport would suffer from the predominance of particular as against general purposes; without a single local authority for the whole area, in which sectional differences would be previously harmonised, a joint board would degenerate into a struggle for special facilities in each area, vigorously supported by delegates selected for their very ability in pressing for such sectional advantages. Consuming publics are generally unorganised and incapable of choosing representatives of administrative as well as advocatory ability. For the national public corporation, therefore, or any enterprise serving a general public directly, the board must be constituted through appointment by some disinterested body.

What the proper appointing body, and what the qualifications of its appointees, depends upon the nature of the undertaking and the particular objective of policy in each case. Efficient administration is a universal desideratum, but beyond this minimum the controllers of policy must select, within the bounds of covering costs, from competing claims upon the use of limited resources, and in some cases create many of those claims. It is the distinguishing feature of the non-representative public corporation that these decisions are left to the discretion of a board deriving from them no personal benefit, direct or indirect, beyond its willingness and desire to serve the general interest and the prestige and satisfaction derived from successful management of a public enterprise. Representation of interests has been avoided on principle, for the development of guiding policy by such a board demands a corporate spirit and unity of purpose not reconcilable with duties of advocacy. Experience with the appropriate subject matter is of course useful, but secondary to commercial qualifications. The most satisfactory board is small, containing from five to nine members, who combine acquaintance with the industry proper, consumers' needs, finance, allied industries and interests, labour,

and technical knowledge, more or less in that order. Where these interests are organised, the appointing authority may well consult their representative associations, but with no restriction on its ultimate discretion. Only when a particular interest's concern with the undertaking is of overwhelming importance, comparable with that of local government in London transport, should a special category be created of board members capable of putting its view-point; direct representation must in any case be excluded. Finally, and most important, the members must indicate interest and enthusiasm for the enterprise and possess youthfulness and willingness to devote their best efforts, whether they be part or full time, to its successful management.

Existing public corporations are constituted on these principles. An alternative suggested as generally applicable is the common German form for large joint stock companies (*Aktiengesellschaften*), administered by a full time board (*Vorstand*) of special technical and managerial competence, but supervised by a Council of Control (*Aufsichtsrat*) representing interests concerned with the undertaking.[12] Such, in essence, was the scheme put forward by Sir Oscar Warburg for the control of London transport,[13] and the objections then raised to it are unanswerable. Commercial efficiency demands concentration of policy formation in one body or the other; it cannot hang nebulously between. If the *Aufsichtsrat* is dominant the undertaking becomes simply a representative public corporation, which has no special need for a plural executive and certainly cannot afford an executive chosen by some outside authority. If the *Vorstand* is dominant the so-called " Council of Control " becomes a mere advisory committee. Advantageous as divided responsibility may appear in certain types of political organisation, an undertaking engaged in active operation of a dynamic enterprise, where definitive decisions must be frequent and rapid, requires a determinate location of power.

How, then, is a non-representative board, members of which should be qualified in the manner above described, best chosen? We have seen that with the Forestry Commission and Broadcasting Corporation appointments are made by the Crown, meaning in practice the Prime Minister in consultation with the Minister

[12] Cole, *Economic Tracts for the Times*, p. 295.
[13] Cf. pp. 260–1, *supra*.

specially concerned, while appointments to the Electricity Board are directly entrusted to the Minister of Transport. The device of Appointing Trustees evolved for the L.P.T.B. is profoundly unsatisfactory. The case for Ministerial appointment is built not only on the impossibility of devising an adequate substitute, but on the ground that this is one essential point at which Parliament should positively impinge upon the operations of a public corporation. If a board is to be delegated a broad field of discretion on questions involving social policy, its irresponsibility for day-to-day actions must be tempered by ultimate central control over its personnel. That control may well be diluted by fixed terms, eligibility for re-appointment, non-synchronisation of terms to prevent appointment of a majority of the board at any one time, and security of tenure. Its complete absence, however, is a denial of the fundamental assumptions of the liberal democratic State, whereby the central representative political organ must in the long run retain authority over every body entrusted with decisions of national policy. Political abuse is not entirely preventible through constitutional machinery, although such "diluting" provisions make it difficult. On the whole, reliance may be placed here upon the good will of Ministers, guided by general statutory directions and subject to Parliamentary criticism.

In this matter of appointment appears the first link of the public corporation with the outside political and administrative system of the country. It cannot exist *in vacuo;* its sphere must be delimited and its relations with other entities adjusted at difficult points of contact. Thus arises the negative constitutional problem, the necessity for control and supervision. Provision must be made in the first instance against the dangers inherent in any monopoly. Removal of the profit motive destroys any ground for exploitation of consumers as a body, but leaves possibilities of discrimination or injustice to individuals or single groups, who are deprived of the safeguard of seeking service from an alternative undertaking. It is essential for this reason that some regular method be available for direct representations to the management. While existing public corporations have voluntarily established public relations offices as channels for complaints, it has been found desirable to provide more formal machinery, with direct access to the governing boards themselves, able to bring the

pressure of publicity and the weight of special authority to bear on policy. Advisory committees, preferably established by statute on the model of the London and Home Counties Traffic Advisory Committee, are most effective. They may represent consumers' organisations, local authorities, related industries, labour, and any other groups with special interest in the undertaking. Ultimate decisions must rest with the directing boards, but the very existence of strong advisory and consultative committees is a salutary influence against abuse of their monopoly positions.

Where the potentialities of discrimination concern specific rates of charge for the service, or provision or withdrawal of particular facilities, this safeguard is powerfully re-enforced by right of appeal to an outside authority. Experience with the P.L.A., C.E.B., and L.P.T.B. indicates that such appeal will be rarely if ever utilised, but its potential use forces the corporation to justify to its consumers any particular rate or the refusal of any particular service. Such appeals should be treated non-politically and are best decided by expert quasi-judicial tribunals like the Electricity Commissioners or the Railway Rates Tribunal. Appeal to a Minister often means in practice judgment by an *ad hoc* arbitrator; a permanent tribunal is better qualified to decide technical issues, particularly complex in a field like electricity, and can build up a case law of unreasonable actions. The grounds of appeal must not extend to non-discriminatory decisions of policy. Frivolous appeals may be discouraged by discretion for the tribunal in allocating costs.

The nature of the broadcasting service raises unique difficulties, here as elsewhere, because of the ubiquity of elements of policy in its decisions and the total absence of direct relation between the product and the fee paid by listeners. A particular fare on the London tube or a particular warehousing charge may be clearly out of relation with the general level, and a proper subject of appeal to a quasi-judicial body, but alleged failure of the B.B.C. to give adequate representation to a given view-point in a talks series, charges of political discrimination, or objections to the programme balance could not be submitted to an outside authority without sacrificing the essential independence of the Corporation in all matters of policy. For this reason, it is particularly important that the device of advisory and consultative committees be here devel-

oped to the utmost, as has already been suggested in discussion of the B.B.C. Such bodies should be empowered to obtain from the Board of Governors a statement of policy in serious cases of alleged discrimination. Machinery of appeal, however, is impracticable.

The measures of outside control thus far discussed are in the nature of preventatives or remedies for arbitrary action with only a negative influence. In the same category are universal requirements of an annual report on the operations of the undertaking and of published accounts, as well as elementary precautions against financial abuse in the form of outside audit and enforcement of sinking fund provisions. Such checks might be made more effective in two ways. Although officials of various public corporations, in particular those of the B.B.C., have steadfastly objected to proposals for regular publication of salaries, that reform would serve both to prevent extravagance and to remove a standing cause of internal friction and jealousy. The American Tennessee Valley Authority appends to its annual report a salaries list of all employees receiving over £300, without loss of independence or unqualified control over its personnel. In addition, an excellent suggestion has recently been put forward for extension of retrospective examination to include a thorough efficiency audit by a permanent and well-staffed Audit Commission.[14] If so operated as not to impair the ultimate authority of the corporations' directors, it would have a salutary effect on both their operation and the degree of confidence reposed in them by the public.

A more delicate problem concerns the proper degree, if any, of positive outside control of policy beyond a statutory description of scope and purposes and appointments by a Minister. In general, the very administrative freedom for which the public corporation is established demands a minimisation of such control, and when the undertakings are considered as separate units only one aspect required Parliamentary limitation. It is a standing danger of independent public commercial bodies that enthusiasm for the enterprise and a natural desire for prestige may lead to overinvestment not justified in the public interest. Monopoly powers and public status afford sufficient credit in the money market to permit borrowing on the resources of the whole undertaking

[14] W. A. Robson, *Public Enterprise* (London, 1937), pp. 380–1.

even for unwarranted capital expenditure. Where extensions of equipment necessitate compulsory powers for acquiring land or for structures on public property, the corporation is in any case required to obtain special authorisation by Private Bill, or at least Ministerial Order, but statutory limitation on total borrowing powers is a complementary and unexceptionable restriction with the same purpose. Only a moderate margin above current needs should be permitted, and the corporation should make out a case for additional powers before embarking upon any large scale capital programme. Procedure by Private Bill is cumbrous and expensive; a sufficient safeguard is probably afforded by Ministerial authority to increase the statutory limit by some form of special order, with only a negative check by Parliament, or, better, such authority in the hands of a special co-ordinating body like the Electricity Commissioners. Even with limited borrowing powers, a public corporation might by considerations of prestige be impelled to indulge in wasteful capital expenditure financed out of excess revenue, made available to it by monopoly exploitation. Choice between increased services and decreased charges is generally precisely the type of decision for which the board itself is most competent, but it may be considered advisable to limit the range of choice by statutory maxima for the general level of charges. Where such a restriction is adopted, sufficient scope should be given the corporation for their best allocation and variations made as rarely as possible, only, indeed, when imposed by a complete revolution in price levels. Maxima must not hamper the corporation in long-range planning of its finances.

Further outside limitations on the public corporation are a function of co-ordination, a topic which will be considered toward the close of this chapter. Any single corporation, considered for the moment by itself, need not and ought not be subjected to control beyond the specific issues which have been described. Direct legal Parliamentary influence is thereby reduced to a minimum. An appropriate Minister will be ready to supply information on the activities of the corporation, but at the latter's own discretion, for the right to elicit information must not be permitted to hamper administrative flexibility and decentralisation. No valid ground exists, however, for limiting Parliamentary debate, which through its prestige and moral influence must always be carefully

considered by any board. The Private Member's motion and the adjournment are always serviceable for discussion of such subjects, but added opportunity might well be afforded on the occasion of the Minister's Vote. At present, the B.B.C., by virtue of nominal Post Office control over its revenue, is alone subject to comment on the annual presentation of its estimate, while the financially autonomous corporations may not be so considered. This fortuitous circumstance is of no real significance, and a valuable alteration in House of Commons procedure would on the ground of the Minister's power of appointment permit similar discussion of all public corporations. Alternatively, they might be debated when their annual reports are made public each year.

Has the public corporation, thus constituted and thus set within the Parliamentary and administrative system, but retaining a maximum of independence, proved itself an efficient and satisfactory technique of administration? What particular administrative and financial problems are raised by the new technique, and which among them remain to be solved?

So far as experience up to the present affords any adequate test, the incentive to enterprise and initiative on the part of boards of directors is ample. Salaries for full time service have been moderately high, ranging to Lord Ashfield's £12,500, but not excessive in comparison with other large scale business. In each of the public corporations here studied at length, enthusiasm for the enterprise is a notable characteristic of both board and senior officials; to them a record of financial stability, combining fully paid capital costs with steady decrease in charges to the public, is at least as satisfactory as a record of increasing dividends to a privately owned firm. Prestige with the public is a powerful stimulus, as is the sense of responsibility for power and of public trusteeship which accompanies unfettered management of a great monopoly service. Capable men of business have shown themselves no less willing to devote their energies to public than to private enterprise.

It may be said that past experience is insufficient test, for the representative public corporation alone dates beyond a single generation, and there an element in members' incentive is their indirect profit as large consumers of the service in question. In the more recent appointive type it is not surprising that persons of

outstanding calibre, drawn from private enterprise, could be found to govern a rapidly expanding broadcasting service, construct the national electricity grid, or co-ordinate passenger transport; but what of the future, when the services are more standardised and administration reduced to routine? Any reply is conjectural at best. In the case of broadcasting, it may be doubted that its management can ever be mere routine, for it must always seek new territories and can become devoid of interest only when all social life is devoid of interest. It need never reduce its scope of operation. Nor will electricity supply become a static process in any foreseeable future. With the construction of the grid and establishment of control rooms, it is true, the great initial engineering feat is accomplished, but development will be perennial. Future administration will require less pure entrepreneurial ability, but equal good will and resolution, if stagnation is to be avoided. London transport raises a more difficult question, for its immediate future and major interest are based on the tremendous population increase of the metropolis. No basic cause guarantees continued growth in perpetuity; the decline in national population setting in during the next decade rather promises a reversal in trend. Without the excitement of new developments, a contracting enterprise none the less demands great capacity in administration and wisdom in selecting abandonments equal to or greater than that required for extensions. In place of the present stimulus, however, we may look for a compensating element of another order. Outstanding persons may grow up within the public corporation, combining expertise in its functions with sufficiently broad outlook to merit positions on the board, who will add to their sense of public trust a pride of personal association, who will feel in the success of the undertaking a success of their own. Prestige and public responsibility will always remain. To assume the impossibility of finding men and women of ability who, given adequate remuneration, will devote the full measure of their energy to efficient and enlightened administration, implies a moral bankruptcy certainly not characteristic of contemporary Britain; if it arises as a social feature of the future its repercussions on the whole framework of society will make insignificant the reduced competency of the public corporation.

It is of course not enough that able personnel be available; it

must be appointed. There is reason to suppose, as has been suggested, that inadequate appreciation of the proper function of the B.B.C. Governors has sometimes led to less competent selection than might be desired. Governments must spare no pains to appoint members solely on their qualifications, not as a reward for past services in unrelated spheres. The personal element is indissociable from such a trust; Ministers of the Crown must not abuse it.

In general, internal administrative organisation may be adapted to the particular circumstances with all the flexibility of a private concern. We have noted the different techniques evolved in four separate cases, pointing out the special requirements of each and the methods selected for their satisfaction. Where none of the board members serve on a full time basis, expediency demands a single chief executive at the head, co-ordinating the entire work of administration and providing a liaison between the permanent body of officers and staff and the directing board. In the semi-technical industry of electricity supply, where the general lines of policy are self-evident, there is a strong argument for even closer links between board and executive in the form of a full time Chairman exercising most of the functions of a managing director, but even in this case his relative impermanence has made convenient a general manager in addition. If decisions of policy are necessarily frequent, however, as is above all the case with the B.B.C., a full-time Chairman with executive functions may acquire too pronounced an expert or internal bias. The predominance of the B.B.C.'s Director-General without membership on the board, at least in former years, has often been a source of unfavourable comment; were Sir John Reith Chairman in addition this criticism would be many times magnified. It is essential that such an undertaking have a strong outside Chairman, not directly concerned with day to day working, able to bring firm and if necessary decisive pressure to bear on the executive. The representative public corporation, again, necessarily a large body if all major interests are to have a place, has developed the special committee system for supervision, with reference to the full board only on the most important questions. Broadly considered, the board of any public corporation is a policy-forming body, not designed to carry on the work of administration, but it is a merit

of this form of organisation that uniformly applicable generalisation is impossible; each specimem must evolve a division of function suitable to the particular service it provides. Nor can any general proposition be laid down on the relative merits of full or part time boards; adequate supervision and acquaintance with the undertaking will usually demand at least one or two days a week from every member, while proper perspective on the operations will in most cases suggest that some members devote a portion of their time to other pursuits.

The major unsolved administrative problem of the public corporation is the absence of method for recruiting staff. It does not suffice simply to point out that civil service regulations are abrogated and in their place put the freedom of private enterprise, for large-scale private undertakings are faced with the same difficulties. Where the functions are purely technical, like those of radio, electrical, or harbour engineers, recruitment by open examination is a relatively simple matter, although existing public corporations, covering only a small portion of the economy, have found it easier to draw their officers from corresponding positions in the private sector where they have already established a claim to recognition. The chief difficulty lies in selecting administrators. A haphazard choice of juniors by the senior officers lends itself to the dangers of nepotism and corruption which are not infrequent in large-scale private industry. Excessive security doubtless reacts unfavourably upon the spirit of commercial enterprise, but excessively rapid turnover of personnel is also disadvantageous.

As the public corporation expands in scope it will become increasingly necessary to provide in the new services recognised careers, with unrestricted competition for vacancies. The most pressing need is a widening of the field by systematic public advertisement, with an extension of general examination, already applied by the P.L.A. to candidates from secondary schools, to university graduates as well. In the more distant future we may foresee a public commercial service, centrally recruited by examination and interview, from which both public corporations and local authorities might draw their administrative personnel.[15] It would differ from the Civil Service in requiring more

[15] Cf. *Britain's Industrial Future*, p. 80; Dimock, *British Public Utilities and National Development*, pp. 324–8.

specialised knowledge or experience, in permitting entrance, at least in the earlier years, at a higher age level, and in offering less security and less certainty of automatic advancement with age but also opportunity for more rapid advancement as a reward for enterprise. Individual public corporations would have a greater degree of control over the staff than Government Departments, in selecting officials from a list submitted by the central recruiting authority, in promotion, and in dismissal. They would, finally, bar no administrative position, however high, to candidates from within the organisation with demonstrated capacity; the spur of such opportunity would compensate for relative insecurity of tenure. Even within the restricted sphere at present occupied by publicly operated utilities it is none too soon to embark upon the first stages in establishing such a body of commercial public servants.

Maintenance of internal efficiency is also a task shared by the public corporation with other large-scale organisations. The undertakings described in the preceding chapters each provide examples of regional devolution, and there is room for further stimulation of competition in services and financial results between the various regions and branches. To these stimuli there might well be added a systematic scheme for sharing the fruits of efficiency, allocating bonuses to sections of the staff outstanding in providing extra resources for the use of the corporation or in facilitating lowered charges to consumers.

Nor does the question of labour relations involve special considerations for the public corporation. A maximum of good will is of course desirable, and it is no doubt promoted by the absence of direct interest by the management in profits derivable from sacrifices in workers' pay and conditions. Nevertheless, the first duty of the undertaking, once its costs, capital charges included, are paid, is to its consumers, and a certain degree of friction is inevitable in determining the exact distribution of benefits. It is essential that resistance be offered to the natural desire of the staff for partial exploitation of the concern's monopoly position in the interests of higher labour standards. On the other hand, the best possible use should be made of the peculiarly valuable direct acquaintance and experience of the workingman with everyday operating problems and conditions, and a spirit of co-

operation should be fostered to the utmost. For this reason, the representative public corporation, where consumers' interests are in any case predominant, has a proper place for a moderate number of direct representatives of the staff, manual and non-manual. In other cases, where direct representation of this, as of other interests, is excluded, one board member at least should be particularly qualified in problems of personnel and acquainted with the position and claims of labour, a precept wisely followed in the composition of the C.E.B. and L.P.T.B. Accessibility of senior officers to the staff should be a rule of management, and Whitley Councils, organised machinery of conciliation and negotiation, and above all a willingness to hear complaints and suggestions, will go far to minimise the frictions. So long, however, as public corporations are trading units in a world with no essential harmony between producers and consumers of any single commodity, the possibility of unhappy labour relations will be omnipresent, and not fully eradicable by any administrative machinery.

The capital virtue of the public corporation's constitution is that it offers no bar to the achievement of efficient organisation. The positive problem of implementing its potentialities is for the boards and their executive officers. Past experience promises well for the fulfilment of this task, given the proper leadership. Mr. Frank Pick, Vice-Chairman of the London Transport Board, whose authority is unquestionable, has recently written in a somewhat despondent tone of the "entropy" which must in his opinion affect every large organisation, in the constant external pressure for improved services at reduced rates and internal pressure for improved working conditions and rates of pay. He finds the influence particularly strong with public utilities, questioning whether in an "undertaking, liable to be called to account for its action, subject to interrogation by inquisitive and irresponsible guardians of the public interests, can the freedom and even the healthy perversity of private enterprise be fully sustained." [16] This fear of "entropy" must be ascribed rather to the peculiar circumstances of his own undertaking than to public utilities in general. It is overburdened with heavy capital charges and an excessively high standard rate of interest on "C" Stock, and he

[16] F. Pick, "Some Reflections on the Administration of a Public Utility Undertaking," in 13 *Public Administration* 135, 143 (April 1935).

realises that after many years of rapid expansion under the régimes of the Underground Combine and the Board he may sometime be faced with a static metropolis, requiring in his own words "a complete readjustment of outlook and treatment." The second and more general complaint is a function not of public ownership of the undertaking but of its public utility character. Its intrinsic importance to the community necessitates some form of outside control, ensuring justice to consumer and staff. The public corporation represents an attempt to replace "inquisitive and irresponsible guardians" by responsible guardians, in touch with the problems of the undertaking. It is unreasonable to fix as an ideal the flexibility of a private concern producing some inconsequential good or service; the public corporation permits the closest approach compatible with its inherent responsibilities.

It is in the realm of finance that the most characteristic contrasts are exhibited with both private enterprise and direct State or municipal administration. Elimination of the profit motive forbids the holding of share capital by private individuals, while the preservation of autonomy forbids similar equity holdings by the State, in contradistinction to the practice of Continental fiscal monopolies otherwise organised on public corporation lines. This autonomy, indeed, is fundamental to the British public corporation. It is set in the general economic framework to provide a service out of resources made available in exchange for that service; it is in essence neither a method of raising revenue for the State nor a technique for the subsidisation of industries. By withdrawing an annual fixed sum or proportion of the revenue, as has heretofore been done with the B.B.C., or by contributing a given sum, the State may adapt it to either purpose, but the object should be conscious and the amount regular and predetermined over many years. Closer interference destroys the measuring rod of the undertaking's accomplishments and with it much of the incentive to accomplishment.

Ordinary revenue is derived, except in the peculiar case of the B.B.C., directly from the sale of goods or services; it offers no special problems. Whence, however, are to come funds for capital development and, if an industry is transferred from private ownership, for its purchase? The universal practice so far has

been issuance to the general public of debentures bearing fixed or practically fixed interest, in some cases with a Treasury guarantee, supplemented to a moderate degree by finance out of revenue. It need hardly be stated that overcapitalisation through excessive payments for compensation is to be avoided; the principles at stake in this much vexed problem have been considered at some length in connection with London transport. The practical difficulties in determining just compensation are massive, but the desiderata are well understood, and it only remains to find political means for their application.[17]

Exclusive financing by fixed interest debentures implies the more general danger of a capital structure so rigid as to threaten the continuous stability of undertakings faced with variable market conditions. Where the likelihood of severe fluctuations is considerable a prudent governing body may well hesitate to become committed to inescapable capital charges, even when the prospects of return suffice to attract private investment and the immediate need of extensions is indubitable. In short, risk-bearing is a function not necessarily best performed by the public corporation itself, and becomes decreasingly so as the magnitude of risk increases.

Let it be stated at once that this argument is probably not applicable to the type of industry now operated by public corporations, namely basic public utilities. Variations of taste play a negligible part in affecting their demand conditions. A large proportion of the output of electricity and transport is an indispensable prerequisite to any continued functioning whatever of the national economy. There is no dependence upon export markets. Fluctuations will for the most part follow the general trade cycle, aggravated to a degree in the case of ports and harbours by secular changes in foreign trade dependent upon general political conditions. Dislocations due to war are in any case too far-reaching for provision in advance. In these circumstances, where the normal variations may be expected to show a degree of regularity, the risk is in fact most economically borne by the public corporation itself. Payments of fixed interest during the phase of depression should be made not by increased charges on a smaller output, for

[17] Cf. E. Davies, *How Much Compensation?* New Fabian Research Bureau Research Pamphlet No. 33, June, 1937.

depression would thereby be aggravated,[18] but by a positive policy of building up reserves in prosperity specifically directed to defraying a portion of overheads in depression-time. It has been argued in particular with reference to the L.P.T.B. that such a course, combined with exclusive reliance on fixed-interest stock, would probably result in lower average capital charges over a long period than the doubtful expedient of "C" Stock with its high "standard" rate and opportunity for a small return in addition. If this policy is generally adopted, the corporations must reserve an option of stock redemption within wide limits of time, in order to utilise to their best advantage periods of cheap money. On this point the experience of the P.L.A., which by means of conversion operations has successfully survived war, depression, and a severe contraction in foreign trade, is conclusive.

If the public corporation is to be extended to fields with higher risks, where taste and other imponderables, or production for export, play a larger part, it cannot be left to bear the entire possibility of loss without seriously endangering its enterprise. No private concern would finance an uncertain business without a large proportion of preference and ordinary shares in its capital structure. The ordinary share is in its nature not applicable to the public corporation, for any equity rights of control would put an end to the public status and unity of purpose for which this form of organisation was devised. A type of preference share, however, with a maximum and perhaps low minimum limit to the dividend, is not wholly impracticable. It suffers from the non-existence of any rational criterion for distribution of profits among increased interest payments, reduced charges, capital expansion, or wage increases; for no moral obligation rests upon the board to prefer on principle any of these alternatives. Nor would the need for further capital from the market be decisive, if prior securities could be issued at will. In consequence, the mean possible dividend would probably have to be relatively high in order to attract investors, and it is by no means certain that the undertaking would benefit on balance. For any industrial field upon which the public corporation is likely to encroach in the near future, this type of security issue is to be discouraged.

[18] Cf. H. Ritschl, "Stellung und Bedeutung der öffentlichen Unternehmung im Wirtschaftssystem des Kapitalismus," in Landmann, *op. cit.*, Part I, Chap. II, at p. 57.

Alternatively, the risk may be borne by the State itself. This solution is implicit in the as yet unexercised right of the C.E.B. to obtain a Treasury guarantee, and in recent large-scale financing operations for London transport carried out by the *ad hoc* London Electric Transport Finance Corporation. So long as the public corporation remains in the public utility field there is much in favour of this practice. It does not add to flexibility in finance, for defaults must be repaid the Treasury by the corporation, but by providing investors with a type of insurance, the State facilitates lower borrowing rates which may in themselves, through the resultant saving in overhead costs, reduce the risk to negligible proportions. It is essential, on the other hand, that Government guarantees do not serve as a cloak for Treasury control of public corporation finance. If the Treasury cannot consider as adequate safeguards the public status of the undertaking, limitations on total borrowing powers, and approval of the major lump items of capital expenditure by an expert quasi-judicial body on the lines already outlined, the corporation had better not become involved with it. Until a default occurs such safeguards should be sufficient. If Government support is to be generally available to these bodies, however, thus equalising their credit status in the money market no matter what their financial condition, that status will cease to serve as a simple objective test of the relative soundness of their claims for further developments. The need for co-ordination will thus be intensified.

It is customary for socialist proponents of the public corporation to look forward to a period when funds for capital development will be taken directly from their revenue, when, in effect, they will be self-financing.[19] The B.B.C., with one inconsiderable exception, has so far depended exclusively upon this method of raising money. In a planned economy it might serve as well as any other, but we are here concerned only with public corporations within a generally private capitalistic structure, where if used exclusively it is open to grave objection. Capital development is not steady from year to year; neither justice nor economy would permit an attempt to levy the entire burden from consumers of the particular period at which construction was begun,

[19] Cole, *op. cit.*, pp. 297–8; Morrison, *Socialization and Transport*, pp. 278–9; Dalton, *Practical Socialism for Britain*, p. 97.

when its benefits would accrue to a quite different set of consumers at some later period. Were this difficulty resolved by allocating a portion of each year's revenue to a fund for developments, consumers of the particular service in question would still be required to perform the necessary acts of saving for the undertaking, although over the economy as a whole other members of the public might be more ready to provide those requirements. In consequence, the corporation would in the final outcome find its capital unnecessarily costly. Most important, self-finance as a regular policy makes way for unchecked exploitation of a monopoly position in order to provide surplus for development. It again hampers the objective test of comparison of prospective income from a given extension with the capital charges spread over its lifetime, and facilitates malinvestment of resources. Thus a further ground would be added for planned outside co-ordination and approval of all new works. Under existing conditions, therefore, its general use is justified only where the obsolescence rate, as in broadcasting, is extremely high, and as a very long-term and partial policy in other instances, in the form of redemption periods for loans sufficiently short to allow a generous margin over estimated obsolescence.

Provision for obsolescence in general is the final major problem of public corporation finance. There is a serious risk that monopolistic enterprises, especially those unable to shift the financial burden of obsolete capital onto members of the investing public, will be reluctant, if not positively disinclined, to substitute more efficient methods of production for existing methods until old plant is worn out. This tendency can be overcome only by providing for obsolescence as well as depreciation out of revenue. While a competitive undertaking is forced to lower its prices, either adopting improved techniques or taking a loss on the old, for fear of losing its entire market, a monopoly may merely suppress or delay their use. Since public enterprise cannot place the risks of obsolescence upon equity shareholders, and must itself pay charges on all its capital, whether obsolete or not, it is clearly to its interest to substitute new methods (on the generally false assumption that economic efficiency alone and not quality is at stake) only when their total costs are lower than prime costs of the whole. It should, however, so distribute the capital charges

through time that the costs of these risks are not concentrated upon particular generations of consumers and that technological improvement in quality is not unduly delayed. It is on this ground that self-financing by the B.B.C. is justified, and with it the universal requirement that public corporations redeem their debentures from sinking funds built up over a long period. In a dynamic technological era there must always be an element of completely unpredictable obsolescence. While unduly short redemption periods are justly criticised as a tax on the present generation for the benefit of posterity,[20] such a tax is far less objectionable than benefits to the present at the expense of posterity. It is doubtful that redeemability over the periods now generally prescribed, ranging from sixty to ninety years, errs at all in this respect; any error is on the proper side.

Such, in brief, are the outstanding critical issues in adoption of the public corporation as a form of organisation for commercial enterprise in the public interest. Many of the points, it will be noticed, take on added significance the more widespread the scope to which the corporation is applied, and will come increasingly to the foreground if other basic industries like mining, the iron and steel trade, chemicals, electricity and gas distribution, road and rail transport, or the banking system, are subsumed under its aegis. Foremost among them is the creation of a technique for co-ordination.

Co-ordination is of two kinds, the one relating different units in the same industry, whether horizontally over a number of geographical regions or vertically over different aspects of the industry, and the other relating units in different industries. At the present stage in the development and use of the public corporation only the former is of immediate practical importance. We have seen the necessity of horizontal co-ordinating machinery for the nation's ports; in another field the Electricity Commissioners have been charged with duties of vertical co-ordination which would be associated, were the distributive system organised under a number of regional public corporations, with horizontal co-ordination. In such cases elimination of the profit motive does not alone suffice to guarantee care of the most general interest, for geographical or functional parochialism leaves unresolved or even

[20] Pigou, *op. cit.*, p. 394.

creates conflicts which can be settled only by an authority constituted on a more inclusive basis.

It may be said that whenever such conflicts are possible the appropriate area and scope for a single public corporation would include all the conflicting units. On this hypothesis a national port trust would be established, as well as a national transport board and a national electricity supply board governing every aspect of the industry and perhaps coal and gas supply as well. Pushed to these lengths the argument becomes absurd, and properly so. It neglects the administrative advantages of local autonomy, advantages never obtainable by regional devolution alone so long as the controlling authority in all matters of policy remains at the centre. The representative port trust, or indeed any other representative public corporation, could not be applied on a national scale. In general, economies of centralisation diminish as the process is extended and are at some point counterbalanced by administrative disadvantages. If this point is reached by a geographical unit smaller than the nation or a functional unit less than an industry in all its phases, it constitutes the proper scope for a single public corporation, and further co-ordination should be secured through an alternative authority. In the board of the individual corporation must inhere the chief power of initiative in policy and the duties of direct administration. In the case of harbour management the utility of the representative principle and the unusual importance of local differences fix beyond doubt relatively small regions as the appropriate areas. Electricity distribution, if brought under public corporation control, will lie very near the border line, probably with a shade of advantage in regional rather than national units. The arguments for functional decentralisation are less obvious, but there too the possible breadth of industry subject to active supervision and control by a single board is necessarily limited.

In order to retain the administrative advantages of public corporation autonomy and the stimulus of corporate achievement which is its prime motive force, the subject matter for co-ordination should be the minimum consistent with harmony and the avoidance of waste. The actual points of control for a co-ordinating authority will hardly surpass those already suggested as proper for outside influence upon each public corporation taken

as a unit, but they will be determined now not simply as a bar to discrimination or to excessive development, but as an element in a more general scheme containing and relating a number of separate policies. These points are technical standardisation, methods and maximum levels of charges, and capital development, of which the last is most important. The wasteful consequences of port competition when it promotes construction of expensive equipment in a number of ports for the use of the same trade, all of which cannot possibly be utilised, have been pointed out; similar considerations apply to other forms of transport. In a contracting industry the need for an outside authority to mark out the least efficient units for abandonment is even greater.

The select Parliamentary committee, hearing evidence on Private Bills for new works or for abandonments, is not qualified for this task. It can at best test the merits of separate proposals viewed singly, although even here the technical issues are often beyond its comprehension, while it is utterly incapable of setting them within a general scheme or even of evolving such a scheme. To combine expertise and continuity with ultimate responsibility to Parliament, the best form of authority appears to be a semi-autonomous technical sub-department like the Electricity Commissioners. Such bodies should approve applications for extensions of borrowing powers, for general changes in charges, and for new works and abandonments. In addition, they may serve as quasi-judicial tribunals hearing consumers' appeals against particular charges or service conditions. In most cases initiative will rest with the executive corporations, and their financial responsibilities preclude positive outside compulsory power over capital developments, but no bar would be raised against suggestions in this respect by the co-ordinating authorities. They could also unite under their direction various forms of executive organisation, municipal, private, and public corporation, although over a single industrial field the grounds for establishing the public corporation in one portion would usually apply to the remainder. The existing relation between the Electricity Commissioners and the C.E.B. indicates the likelihood of a co-operative spirit between co-ordinating and administering authorities; they are both dedicated to the public interest and the operating units should fit

voluntarily into a scheme formulated by the wider knowledge and view-point of the central body.

Unless the public corporation is very widely extended, co-ordination between units in different industries is unnecessary except where finance is undertaken with the aid of a State guarantee. Governments cannot extend State credit indiscriminately to public corporations simply because they are non-profit making public authorities. For this purpose the model of the London Electric Transport Finance Corporation suggests some form of National Investment Board, associated with the Treasury and controlling all Government guarantees, with the advice of the separate co-ordinating bodies as a guide in each case. In this connection it is unfortunate that the recent guarantee on similar lines for main line railway development is administered by a separate body, the Railway Finance Corporation. Beyond these limits treatment of the question of general co-ordination would bring us to a National Economic Council and problems of a planned economy lying outside the scope of the present work.

Co-ordination, like the as yet only partially solved problems of recruitment and finance, can be fitted to the existing structure of the public corporation. At every point of difficulty the outstanding characteristic of this new form of public utility organisation is its flexibility and adaptability to special needs. It is above all this characteristic which promises it an expanding future, based on the record of the past.

That record itself is a highly encouraging one. We have seen how one public corporation, the Central Electricity Board, has built up an enterprise from the foundations, how another, the Port of London Authority, has taken over a deteriorated undertaking and restored it to a prime position among the ports of the world, and how a third, the British Broadcasting Corporation, has expanded a novel type of service with direct influences upon the minds — it might almost be said the souls — of its consumers. The primary claim made for the public corporation has proved justified; it has indeed combined most of the advantages of State ownership with those of commercial administration. If it has not always precisely found, it has at least indicated the location of that delicate equilibrium point between administrative

freedom and public responsibility which is the fulcrum of efficient public enterprise so controlled as always to act in the public interest.

"Perhaps the chief task of Economists at this hour," wrote Mr. J. M. Keynes a decade ago, "is to distinguish afresh the *Agenda* of Government from the *Non-Agenda;* and the companion task of Politics is to devise forms of Government within a Democracy which shall be capable of accomplishing the *Agenda.*" [21] That distincton must be made afresh with each generation, and its basis must be not merely technical conditions and the ideology of society but also the competence of administration and suitability of its forms. For the present generation a contribution of real worth has been made to this problem by development of the British public corporation.

[21] *The End of Laissez-Faire,* p. 40.

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