

**Section Five:
SWEATED TRADES
AND SERVICES**

**19.
The tourism
industries**

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Chef in a London hotel. Most of the estimated 250,000 jobs in London which are dependent on tourism are in the lowest paid and least organised sections of the workforce.
Photo: Derek Speirs/Report.

The tourism industries

Summary

1. Tourism is of growing importance to London's economy. More than 20 million people visit London annually on holiday, business or for educational purposes. Their expenditure accounts for about 8% of London's GDP.
2. Over the last two years the industry has experienced record growth and profit rates. Tourism demand is very price sensitive and the low value of the pound has significantly contributed to the boom, but it is generally assumed that this growth will be sustained in the near future.
3. Tourism demand spreads across many sectors of London's economy, from hotels and restaurants and travel agencies, shops, entertainment and banks to manufacturing activities of various kinds. Few of these industries cater exclusively for tourists. In the absence of a detailed impact study it is estimated that tourism sustains at least 250,000 jobs in London.
4. The jobs created by tourism are mainly in labour intensive sections of the economy, especially in the service sector; growth in this section therefore has a significant impact on employment.
5. While tourism creates some well-paid and secure jobs, a significant part of the industry, especially in hotel and catering firms, relies on a low-paid and under-unionised labour force who often have to work under appalling conditions. Three quarters of the workers are women and many have come to Britain as migrant workers. Many jobs are part-time, with a high number of irregular shifts and a significant use of seasonal and casual workers. The government's threatened abolition of the Wages Councils and the reduction in employment rights will have an extremely detrimental effect on workers in these industries. In the absence of major improvements more jobs through tourism will mean more sweated labour in London.
6. The GLC's interventions are intended to ensure that tourism adds to rather than destroys the amenities and living standards of ordinary Londoners and in particular that it provides decent jobs. The GLC has limited the encroachment of tourist development in designated community areas in

London. It is investigating the possibilities of providing good facilities for budget tourists and it is supporting provision for the disabled.

7. The GLC is planning a system of vetting tourist facilities which will include the vetting of employment conditions and will be promoted through the GLC's Tourist Information Centre. It is campaigning for changes in statutory employment rights including decasualisation, rights to union recognition, reform of the immigration laws, strengthening of the Wages Councils, elimination of the discrimination in Wages Councils against disabled people, and a national minimum wage. The GLC is providing support for union organisation within the industry, in particular through the Service Workers Action and Advice Project (SWAAP) and is promoting better training for hotel workers through the Training Board.

Tourism

19.01 Tourism is increasingly important to London's economy. In 1981 — an exceptionally bad year for the tourism industry — tourist expenditure accounted for 7.5% of London's GDP. Since then the industry has experienced a boom period and record profits — with tourist expenditure rising by 25% in 1984 alone. Most sources predict that this expansion will be sustained over the next few years.

19.02 In 1983 there were over 20 million visitors to London, more than twice as many as 20 years ago. Two thirds of these are British residents, but the bulk of business is generated by overseas visitors. Foreigners account for 80% of the £3.0 billion that tourists — including business travellers — are thought to have spent in London in 1984. Non Londoners buy 60% of all theatre tickets in the West End, they are estimated to provide at least a quarter of all demand for central London shops and contribute a seventh of London Transport's annual turnover. There has been no study of the overall impact of tourist expenditure on the London economy. In its absence, it is estimated that at least a quarter of a million jobs, or full-time equivalents, in London depend on the tourists: 60% directly in the leisure industries like hotels, restaurants, travel agents and tour operators, for example, and the other jobs in a wide spread of industries from furniture manufacturers to banks and garages. Because tourist demand is mostly for labour-intensive services, its share of total employment in London is likely to exceed substantially its GDP share; any growth in the industry has a significant impact on employment. A survey commissioned by the British Tourism Authority in the early 1980s concluded that tourism nationally would create an additional 250,000 jobs by the end of the decade.

19.04 Not surprisingly, tourism has received a lot of attention. Norman Lamont, the minister responsible, has said that tourism represents the hope of inner city regeneration, and Mrs Thatcher has placed tourism at the heart of economic recovery. She praises tourism for its substantial contribution to the balance of payments (tourism is now the largest component in invisible exports) and especially for the cheapness of its job creation. Tourism activities of course create many well paid and secure jobs. But in the sector most directly involved — in hotel and catering — tourism relies on some of the lowest paid and least organised workforces in Britain, and this prefigures the government's ideal of a labour market completely organised on the terms of employers.

Employment conditions

19.04 The last Census of Employment (1981) found that 154,000 people were employed in hotel and catering in London although naturally many of these catered for Londoners as well as tourists. Two-thirds of them are women. 1981 was a slump year for the industry and it is therefore likely that employment has

Table 1: **Jobs in hotel and catering in London**

	1971	1975	1978	1981
Hotels & other residential establishments	37,021	43,500	44,497	40,000
Restaurants, cafes, snack bars	37,751	36,600	35,963	38,500
Pubs	30,875	33,900	29,764	27,000

Source: London Regional Manpower Intelligence Unit

grown since then. Hotel and catering is among the ten lowest paid industries in Britain. According to the 1983 New Earnings Survey, 90% of all manual women and 54% of all manual men in London's hotel and catering industry earned less than £100 per week, or less than two-thirds of the male national average wage.

19.05 The Wages Councils set minimum rates and conditions for workers in licensed residential establishments and licensed restaurants but a large number of workers in unlicensed hotels — which are often small and have the worst employment conditions — do not have any protection at all. The current minimum rates for adult workers in London are £68.04 for a 39-hour week for workers with 'contact with the public' (i.e. those that are expected to supplement their wages from tips) and £78.96 for all others. Disabled people are explicitly excluded from this protection and employers are allowed to pay them less than the legal minimum.

19.06 According to the trade unions, in the 1970s 40% of Wages Councils establishments paid less than the legal rates which — at least in theory — constitutes a criminal offence. Since then the inspectorate has been cut drastically. Even supposing employers did pay the legal rates, there are many legal deductions for food, tips and accommodation, which substantially reduce the actual pay. For example, employers can deduct up to £20.67 per week from living-in staff (£17.55 if more than two share a room) for board and lodging, with the added advantage of even tighter control over the workforce. Unsocial hours and the central location of hotels, with prohibitive rents in the area (three central London boroughs — Westminster, Kensington and Chelsea and Camden — account for 76% of all bedspace in London's hotels), have forced many staff to live in. 20% of hotel workers rely on live-in accommodation in spite of the massive drawbacks of constant supervision and access by management to the workforce and often very restrictive house rules. Living-in arrangements, moreover, have minimal security of tenure protection, as 15 chambermaids found to their cost in 1978 when they were sacked and evicted at 48 hours notice (one of the women had lived in her room for 19 years, another

for 15). Lately, some employers have used refurbishing schemes not only temporarily to get rid of staff but also to abolish living-in facilities once and for all. If this trend spreads it will make work in the industry even more difficult for a lot of staff.

19.07 Less than a third of the workforce work 'normal shifts', between 7 am and 7 pm. Apart from the fact that a lot of business in the industry takes place at night, employers constantly try to increase the extent to which employees are made to carry demand fluctuations over the day and the year. Therefore many workers — 34% in hotels, 45% in restaurants, 57% in cafes and 66% in pubs — are employed on a part-time basis, especially in the occupations which are generally denominated as women's work. The level of wages forces many people to take more than one job to make ends meet, while preventing them from supplementing their income through overtime pay (as is possible for more workers in other low paid industries).

19.08 Part-time contracts provide the additional advantage to employers of drastically cutting the employee's legal rights; where employees are paid less than the National Insurance threshold (£35 a week in 1984) employers further save their NI contributions. Legally only workers with contracts of less than 16 hours per week are defined as part-time but as long as this information is not widely and easily available this definition is open to abuse. Thus, Berni Inns (a subsidiary of Grand Metropolitan) recently attempted to convince its workforce that anybody working for less than 40 hours a week was employed on a part-time basis. At the same time other staff are working on contracts with 10 and more hours compulsory overtime. A split-shift system is another common response to fluctuations in demand. Employees work over the whole day, with a few hours off in the afternoon; too short for any real time off, it virtually reinstitutes a 12-hour day (for eight hours pay).

19.09 The tourism industry is particularly affected by seasonal fluctuations. While demand in London is more evenly spread over the year than in the rest of the UK, there still remains a seasonal fluctuation of over 25% in occupancy rates (nationally this is 40%). The industry is responding to these fluctuations by a large scale use of casual labour. Over a fifth of the workforce is employed on a casual basis and hotel and catering is the only industry with a job centre specifically dedicated to casual employment.

19.10 Over the summer, and especially in September which traditionally is the busiest month, additional demand is met through the employment of seasonal labour, mainly students. For the other nine months employers fall back on a large pool of regular casual workers. Often they are made to work in jobs permanent staff refuse to fill because conditions are unbearable. The definition of what 'casual' means is being stretched to absurd lengths so that employers can fully exploit this lack of protection. A group of banqueting staff at the Grosvenor House Hotel, supported by their union, the GMBATU, are currently taking THF to the European Court of Justice as a last resort to gain recognition of unfair dismissal. They worked for the Grosvenor House for many years, on a regular casual basis: so regular that THF had recognised their

Table 2: **Quarterly distribution of tourist trips 1981-1983**

	1981 %	1982 %	1983 %
<i>Overseas Visitors to London</i>			
1st Quarter	18	18	16
2nd Quarter	27	28	25
3rd Quarter	34	34	37
4th Quarter	21	20	22
	100	100	100
<i>Domestic Trips to London</i>			
1st Quarter	28	28	29
2nd Quarter	22	22	23
3rd Quarter	21	22	20
4th Quarter	29	28	28
	100	100	100

Sources: International Passenger Survey
British Home Tourism Survey

holiday entitlements. When they became actively involved in the union they were sacked (or simply no longer needed, as THF has it). The Industrial Tribunal, then the Court of Appeal ruled against the workers, on the grounds that in spite of many years of employment, there was no obligation for the worker to offer his or her services — the worker is said to have the right to 'choose' whether to come in to work or not, and therefore presumably is disenfranchised from any other rights.

19.11 The use of casual workers as banqueting and special function staff is widespread in London's hotels, although the Park Lane Hotel and Tutton's Restaurant in Covent Garden recently decided to set a good example by making all their casual staff permanent.

19.12 The division between men's and women's jobs is strict. Women clean while men cook; women might be allowed to serve breakfast or clear tables but 'proper' waiting jobs are a white male preserve, as are most other skilled jobs.

Few hotels in London are headed by women; generally, the highest women can hope to rise to is personnel management.

19.13 In those jobs that involve contact with the public, pressures to conform to conventional stereotypes of femininity and sexual attractiveness are an integral part of the job, as well as, frequently, sexual harassment. One example of this has, again, been provided by Grand Metropolitan's Berni Inns where management recently tried to get rid of all staff who did not fit into size 14 uniforms. After action by the union — like other Grand Metropolitan work places Berni Inns is organised by the GMBATU — management was forced to withdraw the regulation, at least for the time being.

19.14 The majority of jobs, and virtually all part-time jobs, are classified as unskilled, while being very strenuous and often involving considerable health and safety risks. With low pay, no rights, no promotion prospects and bad working conditions it is not surprising that the image of the industry is very bad among workers.

19.15 Employers constantly complain about high labour turnover (94% in London) and recruitment problems. At the beginning of the 1970s when the industry was growing very quickly, employers tried to solve these problems by recruiting migrant workers, mainly from Italy, Spain, Portugal and the Philippines, and increasingly from among Latin Americans; hotels in the Heathrow area have particularly recruited from the Asian community. A survey by the Department of Employment in 1971 showed that London's hotel industry had a higher concentration of immigrant workers than any other British industry: nearly 50% of all workers were born overseas. Since then work permits to non-EEC workers have been drastically cut back and no new ones are being issued. Hotels are now recruiting the young unemployed in the north of Britain.

19.16 Work permits have always served management as a convenient tool to control workers, and the tightening of immigration controls has considerably enhanced these powers, as more people are forced to work illegally. In the late 1970s and early 1980s immigration authorities particularly concentrated on Filipino domestic workers; in a retrospective interpretation of the law they were declared 'illegal entrants' when they tried to bring their children to live with them in this country. This resulted in many deportations and the harassment and intimidation of the whole Filipino community in London. Since 1981 the number of deportations has increased dramatically. At present, the Turkish and Latin American communities particularly suffer from the activities of the immigration authorities, with frequent police raids on workplaces and homes in search of migrants who allegedly have remained in the UK in breach of immigration conditions.

Trade union membership

19.17 High labour turnover, many workers who speak little or no English, a large number of seasonal, casual and part-time workers and management traditionally hostile towards trade unions have made trade union organisation very difficult; and it has sometimes made mainstream trade unions not very keen to try. The GMBATU, with a specific Hotel and Catering Section since 1980, together with the TGWU, NUR and USDAW, only account for about 10% of the workers in the London industry.

19.18 The unions have managed to gain recognition in some hotels, especially in some of the hotels which are owned by large companies with union recognition in other parts of their empires. Thus the entry of the brewing companies into the industry in the mid 1970s helped to gain union recognition in Thistle Hotels (Scottish & Newcastle), Crest Hotels (Bass Charrington) and Grand Metropolitan Hotels (who own Watney Truman). Similarly the level of organisation of the railway unions has helped unionisation of British Transport hotels, and the NUR has been able to maintain some closed shops even after the hotels were sold off to the private sector. Elsewhere, union recognition has not been easy to achieve and the list of unsuccessful strikes for union recognition is long. Some recent strikes have, however, succeeded, in the Rowton Hotel Group, for example, and at Tutton's in Covent Garden. Once recognition has been won, there is of course the long term task of improving conditions and securing trade union rights in practice.

19.19 Most employers in the industry have a tradition of hostility towards trade unions. But lately the situation has become even worse through the growing influence, both through direct ownership and management consultancies, of American union-busting techniques. The boom the industry has been experiencing over the last two years has considerably increased American interest in the London hotel market. For example, Holiday Inns took over a unionised hotel in Mayfair in 1984 and summarily ended its trade union agreement.

The structure of the industry

19.20 One explanation frequently put forward for the atrocious working conditions and low trade union organisation is the size of establishment. It is said that the industry mainly consists of small family-owned units, just able to survive but not to modernise, squeezing profits out of their workforce and in self exploitation, operating in a near feudal manner.

19.21 Whilst a substantial number of establishments in the hotel and catering industry do fit this description, with a high incidence of illegal employment and underpayment, the majority of workers — especially in the hotel sector —

work for companies with more than 50 employees. London now has 100,000 bedspaces in hotels and guesthouses plus an estimated 31,000 bed and breakfast places. (See Table 12 for a borough breakdown of accommodation). Over 80% of bedspaces in hotels and guesthouses in London is in hotels with more than 100 places (nationally this proportion is only 15%), and half of all available bedspace is controlled by the top 10 hotel groups.

Table 3: Numbers of beds in hotels in London

<i>Bedroom Breakdown</i>	<i>Hotels, Motels, Inns, Guest Houses</i>		<i>Bed and Breakfast</i>	
	<i>Estab.</i>	<i>Bed Spaces</i>	<i>Estab.</i>	<i>Bed Spaces</i>
201+	84	63,128	2	1,012
101-200	72	18,365	5	1,185
51-100	90	12,242	42	5,343
26-50	54	3,603	143	9,920
16-25	37	1,366	171	6,534
11-15	21	527	139	2,140
1-3	7	34	40	48
TOTALS	392	99,646	713	30,826

Source: English Tourist Board Registration Unit

19.22 In the mid and late 1960s overseas travel to London more than doubled and caused severe shortages. As a result the government introduced a Hotel Development Incentive Scheme, valid from 1969 to 1974, which greatly encouraged construction in the hotel industry. Between 1969 and 1975, London's hotel bed stock increased by 30% (nationally the stock increased by nearly 60%). The stock of high tariff hotels with more than 100 rooms went up by 40%.

19.23 Most new construction was undertaken for the existing large companies who were consolidating their hold on the industry after a first concentration wave in the mid-1960s. They concentrated on building luxury

accommodation while the number of independent cheaper hotels fell. Table 4 gives the distribution of large hotels in London at the end of the construction boom in 1976 (only one new hotel has been built since then; the Holiday Inn in Croydon which opened in 1984). The Kings Reach hotel in Southwark has since been converted into offices.

Table 4: Distribution of London Hotels with more than 250 rooms (1976)

<i>Boroughs</i>	<i>Hotels</i>	<i>Rooms</i>
Westminster	46	16,953
Kensington & Chelsea	15	6,491
Camden	15	6,440
Hillingdon	8	3,840
Islington	4	1,269
Hammersmith	2	1,153
Tower Hamlets	1	830
Southwark*	1	390
Brent	1	325
TOTAL	93	37,699

*Has been converted into offices.

Source: GLC, Annual abstracts of Greater London Statistics, 1976.

19.24 The newly constructed and expensive hotels were particularly directed at the upper end of the market. Hotels have very high fixed costs and investments in buildings and fittings account for 90% of capital investment. A fall in demand therefore directly cuts into profits. A large new hotel needs room occupancy rates of about 60% to break even. When the 1973 oil crisis slowed international economic expansion, the result was substantial overcapacity and cashflow problems in the industry. But tourist travel picked up again after 1975, causing a second wave of concentration and mergers, at the end of which cash-heavy brewing corporations had successfully established themselves as major companies in the sector.

19.25 This expansionary phase was relatively shortlived. Between 1978 and

Table 5: Room occupancy

	1978	1979	1980	1981	1982	1983	1984**
Room occupancy	75%	63%	59%	58%	62%	(68-74%)*	75%

*Depending on the price class: the higher tariff groups achieve higher occupancy levels.

**Estimate based on the first 7 months

Source: London Tourist Board

Table 6: Number of visitor nights in London, 1978-83

	Nights (million)					
	1978	1979	1980	1981	1982	1983
Domestic	32.0	31.0	32.0	33.0	33.0	34.0
Overseas	60.7	60.7	56.4	52.6	54.7	57.0
All Visitors	92.7	91.7	88.4	85.6	87.7	91.0

Source: London Tourist Board

1982 demand stabilised and started to decline in absolute terms. Tourism is one of the most price-sensitive of export industries, and the strong pound in the early 1980s had a severe effect on overseas tourism (domestic visits to London fluctuated only slightly). By 1981, in spite of the Royal Wedding, expenditure had fallen 25% in real terms since the peak year of 1977.

19.26 Interestingly enough, overseas business travel moved in the opposite direction over the same period; it increased by 7% — providing an interesting pointer to London's role in the international economy, especially during the crisis. Similarly, domestic business travel to London has continued to grow but here the recession has caused a fall in domestic expenditure on business travel, nationally 2% in 1981 and 9% in 1982.

19.27 Demand for tourism can be broadly divided into those areas that can be classified as 'producer services' for industry and those that serve leisure or luxury consumption. Holiday tourists outnumber business travellers by three

Table 7: London Tourist Expenditure (1981 prices)

	<i>Overseas £ million</i>	<i>Domestic £ million</i>
1975	1,597	332
1977	2,322	330
1978	2,210	410
1979	2,029	510
1980	1,881	449
1981	1,751	455
1982	1,925	440
1983	2,150	425

Source: London Tourist Board

to one, but business people on average (and on company accounts) spend at least twice as much as holiday makers. The continuous spread of transnational corporations and increasing global interdependence have slowly but steadily increased the share of business travel in tourism; it has gone up from a fifth of all overseas arrivals to London in 1972 to a quarter in 1982.

19.28 The markets for business travellers and holiday makers are increasingly separate. Business travellers are offered separate terminals at airports, special sections on aeroplanes and their own floors in hotels. Hotels especially have become the preserve of business people and they are now offering special

Table 8: Purpose of Visits from Overseas

	<i>Business</i>	<i>Holiday</i>	<i>Friends & Relatives</i>	<i>Other (incl. education)</i>
1972	19.5%	47.7%	32.8%	
1979	21.7%	43.6%	15.0%	19.7%
1981	25.8%	42.9%	14.9%	16.4%
1982	25.0%	44.2%	15.0%	15.8%

Source: British Tourist Authority

packages and week-end breaks to attract holiday makers back into the rooms business people leave empty at weekends.

19.29 Since 1982, all parts of the market are expanding again. Over the last two years business has increased dramatically, in particular from American tourists who are attracted by the fall in value of the pound. Average profits (in the quoted hotels) approached 30% in 1983 and are expected to rise further in 1984. Visitor numbers in 1984 are likely to exceed the record numbers of 1978, with expenditure by tourists estimated to have increased by 25% on 1983. Average occupancy rates in hotels were up by 12% in 1984 to 75%, and approached 100% during the summer quarter.

19.30 Companies have responded to this upsurge in demand by putting up prices and by upgrading existing accommodation. The trend to upgrade runs through all tariff classes. It is directed at the wealthy travellers and particularly at those on company accounts, while economy travellers are once again squeezed out. London's hotels have frequently been the most expensive in the

Table 9: London's premier hotels

<i>Hotel</i>	<i>Operator</i>	<i>Cost of Double rooms, including VAT and Service</i>
Dorchester	Regent International	£120
Ritz	Trafalgar House	£106
Berkeley	Savoy	£110
Claridges	Savoy	£125
Connaught	Savoy	£109
Savoy	Savoy	£110
Grosvenor House	Trusthouse Forte	£98
Hyde Park	Trusthouse Forte	£110
Inter Continental	Grand Metropolitan	£134
Inn on the Park	Four Seasons	£147
Carlton Tower	Hyatt Corporation	£149
Sheraton Park Tower	Sheraton	£120
Churchill	Churchill Group Hotels (Kuwaiti interests)	£117
Howard	Barclay Bros	£105

Source: *The Observer*, 5 August 1984

world and especially in the higher tariff groups there seems to be no limit to what customers are willing to pay. Nevertheless, published prices are often deceptive because hotels use a large number of concessions and special deals to react to demand fluctuations.

19.31 Hotels generally have a payback period of about 12 years, and the current boom is coinciding with the end of the major investments in the construction boom of the early 1970s. A new construction boom is nevertheless unlikely. The capacity expansion in the early 1970s depended on particular conditions prevailing at the time, in terms of easy loan finance and the government incentive scheme, which are not likely to be repeated in the near future. Therefore, there has been hardly any new construction of hotels. Instead existing hotels have changed ownership at a great speed with provincial and foreign hotel companies queuing to get an enlarged hold in London (see Table 13). Land availability and prices in central London make refurbishments a much more attractive way to cash in on the boom.

19.32 The refurbishment programmes, at a cost of up to £20,000 per room, are particularly directed at the business and conference market — building 'Top Rooms for High Fliers', with all modern business facilities included. Last year London housed more international conventions than any other city in the world, 147 altogether. But many of these are relatively small. London only has four hotels which can accommodate more than 4,000 people. London, like the UK on the whole, is far behind the United States in developing the domestic market for business conferences and conventions.

19.33 Another reaction to the growing volume of business and holiday travel has been the growth of short term and holiday lets of former residential property. The high rents that tourists are able to pay make it profitable for landlords to keep their properties empty for half a year and only let it in the busy months. This problem is especially severe in central London boroughs and local authorities have no real power to stop the slow erosion of housing. Over 80 agencies have sprung up to cater for the short and long term company lets, while hotel companies make millions out of the plight of the homeless.

19.34 The companies operating in the industry are large national and increasingly international corporations. They are present in a wide range of leisure services, especially in the upper end of the hotel market and the fast food end of the catering market. All large hotel operators are expanding into travelling and tour operating services. To secure a share of the international travel market — which already constitutes 6% of world trade — it is increasingly important to be able to offer a whole range of services, from central booking facilities to car hire services and theatre booking agencies.

19.35 Some hotel chains are linked to international airlines, like TWA's Hilton, or Pan Am's Intercontinentals, which were recently taken over by Grand Metropolitan; or, like the Sheraton, they are owned by non-service industry multinationals like ITT. Thorn EMI is another multinational that tried to expand into the profitable travel market; the company owned several hotels

in London until recently but pulled out when it found that it was too much of a specialist market after all. More typical are companies that have expanded from another part of the leisure market. Particularly important are the brewing companies. Grand Metropolitan own Watney Truman breweries, numerous pubs, fast food establishments, catering contractors and many hotels in London (they have recently rearranged their holdings in London and have moved out of the lower tariff part of the market); other examples are Scottish

Table 10: **Leading restaurant chains 1982-3**

<i>Chain</i>	<i>Proprietor</i>	<i>UK Outlets</i>
Little Chef	Trusthouse Forte	314
Berni Steak Houses	Grand Metropolitan	248
Cavalier Steak Bars	Allied	118
Beefeater Steak Bars	Whitbread	100
Pizzaland	United Biscuits	65
Toby Inns	Bass	55
Olde World Inns	Stakis	30
Ladbroke Taverns	Chef & Brewer/Trusthouse Forte	28
Kardomah	Trusthouse Forte	26
Pizza Express	Independent	25
Henekeys	Trusthouse Forte	24
Pizza Hut	Whitbread-Pepsico	24
Strikes	Grand Metropolitan	22
Garner's	Monseigneur Grills	20
Chaucer Inns	Courage/Imperial	16
Spaghetti House	Independent	15
Falstaff Taverns	Courage/Imperial	14
Angus Steak Houses	Thistle/Scottish & Newcastle	12
Garfunkel's	Independent	12
Mario & Franco	Kennedy Brookes	11
London Steak Houses	Allied-Lyons	10
Quality Inns	Trusthouse Forte	8

Source: Trade Estimates/Key Note
Financial Times, 18 January 1984

and Newcastle, with Thistle Hotels, Bass Charrington and the Crest Hotel chain and Allied Lyons who own Anchor Hotels. The largest hotel group in London is Trusthouse Forte.

19.36 Although companies have expanded into many fields, and several countries, the level of central co-ordination of the different parts of their

Table 11: Major UK Hotel Chains (ranked by number of rooms)

	No. of UK hotels	No. of rooms	Ownership
Trusthouse Forte Hotels	208	20,950	Trusthouse Forte
Inter Hotel	103	n.a.	Consortium of independent hotels
Best Western Hotels	170	8,000	Consortium of independent hotels
Crest Hotels	54	5,500*	Bass
Thistle Hotels	39	5,097	Scottish & Newcastle Breweries
Queens Moat Houses	55	4,432	Queens Moat Houses
Mount Charlotte Hotels	38	4,274	Mount Charlotte
Holiday Inns of America (UK)	17	4,036	Holiday Inns of Canada/ Commonwealth Holiday Inns
Embassy Hotels	42	3,561	Allied Lyons
Ladbroke Hotels	32	3,500*	Ladbroke Group
Swallow Hotels	31	3,000	Vaux Breweries
Grand Metropolitan Hotels (Intercontinental Hotels) (Forum Hotels)	8	2,995	Grand Metropolitan
Comfort Hotels	14	2,900	Comfort Hotels
Virani	19	2,200	Virani Group
Rank Hotels	5	2,074	Rank Organisation
Reo Stakis Hotels	24	2,000	Stakis
Prestige Hotels	22	1,800	Consortium of independent hotels
De Vere Hotels	14	1,560	De Vere Hotels
Novotel (UK)	5	1,088	Accor Group
Norfolk Capital	10	1,000	Norfolk Capital Group
Anchor Hotels	34	1,000	Imperial Group Allied Lyons

*Beds

Source: *Financial Times*, 18 January 1984

empires is still surprisingly low. Facilities such as centralised — and computerised — booking facilities are still far from being the norm in Britain and the industry has fallen far behind the United States in its use of modern technology; in response the government has started a scheme to encourage the wider use of new technology and visual display units in the industry.

19.37 It is also surprising that the conditions of the workforce have so far not been unified in hotels. The payroll constitutes a third of total costs, and companies have used the recession to cut back and replace staff, especially some of the more skill-intensive occupations (with frozen foods and micro ovens substituting for kitchen staff, and cash cafeterias and 'Swedish Style' cold buffets replacing waiters and restaurant workers). On the administrative side, computers have begun to replace white collar workers but the major impact of new technology is yet to come.

19.38 Management is traditionally decentralised to local level, and (male) managers fulfill their profit targets by squeezing workers as much as they can. The trade unions are reporting that recently there has been increasing evidence of higher workloads without commensurate pay increases; this practice is facilitated by the erosion of workers' rights and the greater threat of unemployment.

19.39 A radical new approach to the industry is coming into Britain now in the form of French multinationals. They consciously operate against the image of personal service, and specialise in budget hotels. Most important is the multinational hotel company Novotel which has one hotel (the former Cunard in Hammersmith) in London. Novotel prides itself in being 'second class' and has replaced all room service facilities with slot machines and drink dispensers on every floor. Other French companies follow closely behind and are waiting to establish themselves in Britain.

19.40 The workerless hotel with perfectly automated services nevertheless seems remote and in any case not likely to replace many of the existing hotels. The appeal of hotels and tourism to a large extent depends on the desire to be serviced and the customer takes over some of the disciplining roles which machines fulfill in other industries. It is more likely that a parallel structure of luxurious service-intensive hotels and budget hotels will develop.

19.41 The immediate issue however is that tourism — and especially the hotel trade — is expanding, profitably, on the basis of a low paid insecure workforce. For the government, the industry is something of an example; in it employment has continued to grow, wages are low and trade union organisation weak. The government's present strategy of dismantling the limited legal protections against low pay and job insecurity is based on an erroneous assumption that this will stimulate growth. But the growth of employment in London's hotel and catering industries cannot be attributed to low wages. Demand and employment levels are more dependent on the exchange rate than anything else. Prices in London are high by international standards. The fact that wages are low has simply enabled hotel owners to take higher profits; they have not

lowered prices to attract larger numbers of tourists. There is no evidence that the government's proposed abolition of the Wages Councils will reduce London hotel prices and expand employment. There is, however, plenty of evidence (from Department of Employment sponsored research) that the abolition of Wages Councils in low paying industries bears particularly heavily on the least well off.

Strategy

19.42 Tourism brings hundreds of millions of pounds to London,. Exactly who benefits, where money is spent and how much of it remains in London is unknown; a proper study of its impact on London is overdue. The costs of tourism are much more apparent. Tourism relies on an unskilled, under-unionised, low paid and highly exploited workforce. More jobs in this sector will mean more jobs organised almost exclusively on the employers' terms; the more such jobs are the norm in London's economy the more difficult other workers will find it to protect themselves from such a low wage trap.

19.43 Tourist developments furthermore often go hand in hand with the crowding out of existing communities. Central London residents have particularly suffered from tourism. Housing has been lost through creeping conversion, demolition and rent inflation; shops and community facilities which meet local needs have been edged out by more profitable tourist related developments.

19.44 The GLC strategy is to promote a tourism which adds to, rather than destroys, the amenity and living standards of ordinary Londoners; and to promote a tourist industry which guarantees decent jobs, not only because vast profits are being made on the back of terrible conditions but more so because nobody should have to work in conditions found in many tourist establishments. To ensure that tourism develops with a minimum of cost to Londoners and with the widest possible spread of benefits, strategic central intervention is necessary.

19.45 The traditional focus of GLC policy towards tourism has been two-fold: to increase and stabilise tourism flows to London, and to limit the adverse effects tourism has on London. These objectives were implemented through the GLC's planning powers and its arts and recreation programme in cooperation with the London Tourist Board (a subsidiary of the English Tourist Board responsible for the promotion of London and, until March 1984, funded in equal proportions by the GLC, the English Tourist Board and commercial subscriptions). Policy tools range from planning permission for hotels to coach licences in central London, from the use of major cultural events in off-season to spread tourism flows over the year to the construction of the tube to Heathrow and the redevelopment of Covent Garden. The Greater London Development Plan freezes all further tourism-related developments in a belt of

designated community areas around central London. The current arts and recreation programme emphasises support for community arts and local events rather than exclusively supporting 'prestige' cultural events which appeal only to an elite of Londoners and an elite of tourists. In fact the many festivals and sporting events the GLC has organised throughout London in recent years have proved to be attractive to Londoners and tourists alike.

19.46 The GLC is also concerned that London provides good quality facilities for budget tourists. One aspect of this is the provision of camping facilities in suitable outer London sites, another the setting up of a Tourist Information Centre in the heart of the West End. The GLC will also investigate other means by which the availability of cheap decent accommodation can be increased. For this and other tourism projects it will look into the possibility of charging a tourism tax.

19.47 The GLC will further use its powers to increase the provision of facilities and accommodation suitable for people with disabilities. Over 150 hotels in London claim that they welcome people with disabilities and could make the necessary provisions; but a survey in 1981, conducted by organisations working for people with disabilities, consumer organisations and the tourist boards, found that many hotels could not live up to their claim in practice. In 1983, as a small first step, the GLC supported the charity 'London Hotel for Disabled People' with a grant of £20,000 towards the conversion of 78 rooms in the Tara hotel in Kensington.

19.48 While the general interests of Londoners and tourists have been the subject of GLC policy for a long time, policy has never effectively attempted to tackle the conditions under which many people work in the industry. Therefore in February 1984 the GLC withdrew its grant to the London Tourist Board and resolved to become more actively involved in the industry with the aim of improving working conditions. In a few instances the GLC is able to directly influence the terms and conditions of employment — in the South Bank complex for example and in events the GLC organises. The GLC will further investigate how it can use its position as a major landowner and planning authority in London to widen this influence. But the bulk of the industry is outside direct control: the GLC does not own any hotels or restaurants nor is it a significant purchaser of their services. A more indirect strategy has been developed.

19.49 Image and access to general publicity are of great importance to hotels. Profitability is directly linked to capacity utilisation and while in September almost any bed can be filled, in the less busy season a link to a customer referral system is vital to many hotels. This does not only apply to smaller independent hotels. Except for some luxury hotels which consider that general promotion would lower their tone, all hotels depend on booking agencies and referral systems to link them to travellers, who themselves are dependent on the provision of information when they arrive in a strange city.

19.50 The GLC can help to provide this information. It is currently developing

a system of vetting hotels both for standards of service and employment conditions. The intention is to produce an approved list of hotels, an extended version of the 'Fair List' the trade unions have been promoting for several years to encourage people only to use hotels with trade union agreements, which will be promoted through the GLC Tourist Information Centre. The Centre already has direct booking facilities to the South Bank complex, and other booking services could be added. All services and events advertised by the Centre will be linked to good employment practices, and it is hoped that the Tourist Boards can be persuaded to follow the example.

19.51 Besides putting pressure on employers to improve conditions, the GLC is trying directly to strengthen workers in the industry. Governments have consistently failed to provide hotel and catering workers with adequate protection from exploitative conditions. If London's tourist industry is to expand for the benefit of Londoners, then the legal protection available to workers in the industry will have to be improved. In particular, protection against unfair dismissal and rights to union recognition need to be strengthened. A system of decasualisation is required, starting with suitable amendments to the employment protection legislation to provide 'casual' workers with adequate protection within the terms of a temporary contract; this could possibly be extended into a registration scheme for casual workers, run by public authorities in conjunction with the trade unions. Similarly the rights of casual as well as part-time workers, in terms of employment rights, holiday and sick pay and pension rights, need to be brought on a par with full time workers. The Wages Councils machine, including the wages inspectorate, will need to be made effective. It is also very important that the discrimination against disabled people enshrined in the provisions of the Wages Councils be eliminated. However, a better option than the resuscitation of the complex Wages Councils system would be the enactment of a national minimum wage, with appropriate London allowances. It would provide a comprehensive clearly recognised floor for wages negotiations in the industry; if set at two thirds of the national average wage, it would ensure that wage rates in the industry kept pace with those elsewhere — which the Wages Councils significantly failed to do.

19.52 Employment conditions in the industry will however remain poor despite such reforms if employers are still able to exploit the weak labour position of the migrant labour force. What these workers need above all is security of residence and the right to work in this country, independent of the control of either employers, through the work permit system, or immigration authorities. Reforms which do not tackle this issue are likely to remain hollow.

19.53 The GLC will campaign for these changes in statutory employment rights. In the absence of these legal changes, and in any case equally importantly, the GLC is providing support to workers in the industry who are organising for better conditions. It is funding the Service Workers Action and Advice Project (SWAAP) which has two workers specifically employed to provide information on employment rights to workers in the industry and to aid unionisation.

19.54 Lastly, through the Training Board, the GLC is attempting to promote good quality skills training. At present the industry makes extensive use of the Youth Training Scheme and general training standards are considered to be slipping. The GLC supports the Hotel and Catering Industry Training Board in upgrading YTS placements to apprenticeship level; proper supervision of these schemes will be necessary to ensure the protection of young workers. These training initiatives are intended to break down the rigid sexual and racial segregation of hotel and catering work in the industry. The GLC will further press for the provision of 'industrial language' training for workers whose first language is not English. The anti-racist and anti-sexist emphasis of the training policy, together with proper instruction on trade union and employment rights, should be made an integral part of all hotel and catering training courses, particularly those directed at future managers of the industry.

19.55 The GLC's policy on tourism is aimed at making tourism a stable part of London's economy and at promoting those facilities and events which benefit Londoners and tourists alike. Tourists are entitled to fair treatment when they visit London, and Londoners have to be protected from the unplanned encroachment of tourism on their communities. Workers in the tourism sector are entitled to good jobs and the GLC recognises that the essential prerequisite of spreading the benefits of tourist developments to Londoners is a strategy of eradicating low pay and bad conditions in the industry.

Table 12: **Known stock of accommodation in the GLC boroughs serviced accommodation 1982**

	<i>Hotel, Motels, Inns, Guest Houses</i>		<i>Bed & Breakfast</i>		<i>TOTAL</i>	
	<i>Estab.</i>	<i>Bed Sp.</i>	<i>Estab.</i>	<i>Bed Sp.</i>	<i>Estab.</i>	<i>Bed Sp.</i>
<i>GLC Boroughs</i>	372	98,216	658	28,974	1,030	127,190
Barking	1	6	—	—	1	6
Barnet	8	523	17	266	25	789
Bexley	1	130	2	33	3	163
Brent	1	660	15	356	16	1,016
Bromley	9	514	7	134	16	648
Camden	37	11,505	43	2,335	80	13,840
City	2	281	—	—	2	281
Croydon	16	1,158	11	236	27	1,394

Table 12: Known stock of accommodation in the GLC boroughs serviced accommodation 1982

	<i>Hotel, Motels, Inns, Guest Houses</i>		<i>Bed & Breakfast</i>		<i>TOTAL</i>	
	<i>Estab.</i>	<i>Bed Sp.</i>	<i>Estab.</i>	<i>Bed Sp.</i>	<i>Estab.</i>	<i>Bed Sp.</i>
<i>GLC Boroughs</i>	372	98,216	658	28,974	1,030	127,190
Ealing	5	450	23	463	28	913
Enfield	5	369	1	2	6	371
Greenwich	2	77	4	52	6	129
Hackney	4	239	5	338	9	577
Harrow	6	536	8	219	14	755
Hammersmith	4	2,441	20	433	24	2,874
Haringey	4	181	8	126	12	307
Havering	1	296	—	—	1	296
Hillingdon	16	7,796	1	10	17	7,806
Hounslow	4	307	6	96	10	403
Islington	4	2,136	5	105	9	2,241
Kensington	72	18,682	125	7,055	197	25,737
Kingston	6	311	4	54	10	365
Lambeth	6	255	15	237	21	492
Lewisham	2	446	3	31	5	477
Merton	—	—	5	169	5	169
Newham	1	60	1	31	2	91
Redbridge	5	218	7	170	12	388
Richmond	10	773	5	118	15	891
Southwark	—	—	—	—	—	—
Sutton	2	32	2	56	4	88
Tower Hamlets	1	1,572	—	—	1	1,572
Waltham Forest	—	—	1	28	1	28
Wandsworth	—	—	7	108	7	108
Westminster	137	46,262	307	15,713	444	61,975

Source: ETB Registration Unit

Table 13: Major changes in hotel ownership since 1980

<i>Hotel (rooms in brackets)</i>	<i>Purchased from</i>	<i>Purchased by</i>	<i>Date</i>	<i>Price (millions)</i>
Balleys (158)	Private	Taj International	Jul 1981	n.a.
Bayswater Post House (175)	THF	Mount Charlotte	Feb 1983	(iv)
Barkston Gardens (74)	THF	n.a.	Feb 1984	n.a.
Bedford Corner (85)	Crest	Aquarius Hotels	Jan 1983	£1.6
Berners (236)	Grand Met	Normandy House (Knightsbridge)	May 1982	£8.5
Bloomsbury Centre (250)	Coral Leisure	Crest Hotels	Dec 1980	(vi)
Bristol (192)	Trafalgar House	Holiday Inns	Apr 1984	£5
Carlton Tower (now Hyatt Carlton Tower) (228)	Proteus	Hyatt	Jan 1982	n.a.
Central City (now Barbican City) (472)	S and M Hotels	Wise Park	Feb 1983	£3.71
Charing Cross (216)	BTH	Barclay Hotels	Mar 1983	(i)
Chesterfield (84)	Grand Met	Tollman Hundley Hotels	Mar 1984	£2.4
Churchill (489)	Loew's	International Investment Group (UK) – a Kuwaiti investment corporation	Mar 1983	(iii)
Clifton Ford (288)	Grand Met	Private company	May 1983	£6.75
Cora (133)	Bonnington Hotels	Alexbrook	Jan 1983	£1.85
Cunard International (now Novotel) (640)	Trafalgar House	Novotel	Nov 1983	£14.98

Table 13: Major changes in hotel ownership since 1980

<i>Hotel (rooms in brackets)</i>	<i>Purchased from</i>	<i>Purchased by</i>	<i>Date</i>	<i>Price (millions)</i>
Drury Lane (now Drury Lane Moat House) (129)	Grand Met	Queens Moat Houses	Feb 1983	£2.25
Eden Park (135)	Comfort	Park Hotels	Jun 1982	(v)
Europe (now London)(274)	Grand Met	Marriott	Jul 1983	£13.5
Grafton (200)	Private nursing home	Edwardian	Jul 1982	n.a.
Great Eastern (145)	BTH	Compass	Mar 1983	n.a.
Great Northern (70)	BTH	Compass	Mar 1983	n.a.
Great Western Royal (170)	BTH	Barclay Hotels	Mar 1983	(i)
Green Park (175)	Grand Met	Sarova	Mar 1980	n.a.
Grosvenor Victoria (478)	BTH	Barclay Hotels	Mar 1983	(i)
Harewood (93)	Comfort	Harewood Hotel	Oct 1982	n.a.
Hyde Park Towers (106)	Comfort	Park Hotels	Jun 1982	(v)
Ivanhoe (237)	Coral	Crest Hotels	Dec 1980	(vi)
Julius Caesar (111)	Private	Park Hotels	Dec 1983	n.a.
Kenilworth (200)	Crest	Edwardian	Nov 1982	n.a.
Kennedy (320)	Grand Met	Mount Charlotte	Sep 1983	n.a.
Kensington Fairway Inn (112)	Norfolk Capital	Park Hotels	Mar 1982	£12
Kingsley (169)	THF	Mount Charlotte	Feb 1983	(iv)
London	Albert	Sheraton	Jan 1983	n.a.
Belgravia (now Sheraton Belgravia) (100)	Albela group			
London International (413)	Grand Met	Swallow	Mar 1982	£8
London Ryan (211)	Ryans Hotels	Mount Charlotte	Jun 1982	£3

Table 13: Major changes in hotel ownership since 1980

<i>Hotel (rooms in brackets)</i>	<i>Purchased from</i>	<i>Purchased by</i>	<i>Date</i>	<i>Price (millions)</i>
Londoner (142)	Grand Met	Sarova	Oct 1982	n.a.
Mostyn (125)	Grand Met	Sarova	May 1980	n.a.
Onslow Court (146)	Barclay Hotels	Taurusglen Hotels	Jun 1983	£2.5
Mount Royal (700)	Grand Met	Mount Charlotte	Sept 1983	n.a.
Milton Court (now part of Vanderbilt Hotel)	M F North	Edwardian	Jan 1982	n.a.
Montcalm (116)	Loew's	International Investment Group (UK)	Mar 1983	(iii)
Park Court (442)	THF	Mount Charlotte	Feb 1983	(iv)
Penta (914)	Penta	Forum Hotels	Oct 1982	£10.36
Piccadilly (290)	Grand Met	Gleneagles Hotels	Oct 1983	£14.6
Rathbone (64)	Comfort	Virani	Oct 1982	n.a.
Regent Centre (322)	Coral	Crest Hotels	Dec 1980	(vi)
Rembrandt (190)	Grand Met	Sarova	Mar 1980	n.a.
Royal Horseguards (281)	EMI	Thistle	Jul 1980	(ii)
Royal Kensington (409)	Alyarmouk	Comfort	Sept 1982	n.a.
Royal Westminster (135)	EMI	Thistle	Jul 1980	(ii)
Rubens (173)	Grand Met	Sarova	May 1980	n.a.
St Ermin's (244)	Grand Met	Stakis Hotels	Jul 1983	£6.5
St James Victoria (470 – will be 406 when re-opens)	Crest	Taj Hotels	May 1982	n.a.
Stratford Court (139)	Grand Met	Edwardian	Jun 1982	£1.1
Tower (826)	EMI	Thistle	Jul 1980	(ii)
Washington (160)	Grand Met	Sarova	Jan 1982	n.a.

Table 13: Major changes in hotel ownership since 1980

<i>Hotel (rooms in brackets)</i>	<i>Purchased from</i>	<i>Purchased by</i>	<i>Date</i>	<i>Price (millions)</i>
Waverley (120)	Barclays Bank (staff hostel)	Aquarius	Dec 1983	£1.6
Wembley Crest (320) (Lease acquired by Comfort Hotels)	Crest	Gomba Holdings	—	n.a.
West Centre (now London West) (510)	Crest	Normandy House (Knightsbridge)	Mar 1983	£6.5
Whites (61)	THF	Mount Charlotte	Feb 1983	(iv)

(i) £175 million for all three hotels

(ii) £23 million for whole deal, including provincial hotels and 12 steak houses

(iii) With the Montcalm rumoured to be more than £50 million

(iv) £19 million for four hotels

(v) £31 million for both hotels

(vi) Part of Bass (Crest Hotels) takeover of Coral Leisure Group

Source: Caterer & Hotelkeeper, 17 May 1984

Proposals for action

1. The GLC will develop a positive plan for tourism which will benefit Londoners as well as tourists. This will require a detailed study of the impact of tourism on London. It will identify areas in London where tourist developments could play a role in urban regeneration and improve the inner city environment, and those areas where it will be detrimental; this will involve close co-operation with London boroughs. The need for a tourist tax to assist implementation of the plan and of items set out in the strategy will be given serious consideration.

2. The GLC will tightly control the construction of hotels and continue the ban on new hotels in the designated community areas; it will co-operate with the boroughs to control the erosion of housing stock through short-term housing lets and it will investigate the expansion of low cost accommodation, possibly run as public enterprises.

3. The GLC will encourage the seasonal spread of tourism through special promotion campaigns and events outside the summer season, in co-operation with the Tourist Boards.

4. The GLC will expand the Council's tourist information and publicity functions; a comprehensive system needs to be developed which meets the needs of particular groups of tourists such as the disabled, the elderly and people with children and takes account of the specific interests of different ethnic groups. The GLC's multilingual tourist centre will be the base of this expansion in activities.

5. The GLC will actively support unionisation and the extension of collective bargaining in the industry; it will ensure that good employment practices are obeyed in all GLC-run tourist facilities and will investigate means to extend good employment practices to companies operating on GLC premises.

6. The GLC will develop a 'Fair List' of hotels based on a code of practice which sets standards for quality of service and employment practices; the list will be promoted through the GLC Tourist Information Centre.

7. The GLC will support and initiate the provision of high quality training places for workers and management in the industry; all courses will include instruction on the role of trade unions and employment rights. It will support training that helps to break down the rigid sexual and racial division of labour in the industry and will campaign for the provision of industrial language teaching for workers whose first language is not English.

8. The GLC will campaign for an efficient Wages Council system and the introduction of a minimum wage of two-thirds of the national average wage.

9. The GLC will campaign for the right of residence and the right to work for all workers in the industry.

10. The GLC will campaign for a change in legislation to equalize the rights of part-time and casual employees with full-time employees. A registration scheme for casual workers, potentially run as a public agency with full involvement of the trade unions, will be investigated.

Source:

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**Section Six:
LONDON'S
ECONOMIC
INFRASTRUCTURE**

**20.
Public
transport**

[Image removed at request of London Metropolitan Archive as a condition of digital distribution.]

Conductor on a number 26 bus. The thinking behind transport policy must alter to take into account how transport services and investment affect everyday life and work.
Photo: Carlos Augusto/IFL.

Public transport

Summary

1. Public transport spending is one of the most powerful tools of economic intervention available to many local authorities. The public transport system plays a crucial role in determining the functioning and the level of activity of the London economy. The London labour market functions on the basis of public transport. Only 17% of central London commuters arrive by car, yet they create major road congestion. The provision of public transport affects the location of industry and commerce, and declining public transport reduces the attractiveness of London as an employment centre relative to areas beyond the M25. Furthermore, the pattern and cost of public transport provision has a substantial impact on real income distribution.

2. In addition, public transport itself directly employs almost 100,000 people in rail and bus alone in London, and indirectly employs many more. The direct employment includes some of the better paid and more secure manual jobs open to women and to black workers. Until the late 1970s there was substantial bus production in west London oriented towards the public sector; the rate of decline in engineering generally in west London has been so great that by 1983 London Transport's engineering apprenticeships formed over 50% of the apprenticeships available in outer north west London.

3. The transport policies of the present GLC administration have generated considerable economic benefits for London. The government's plans for fragmentation of public transport and renewed decline will undermine the London economy, and raise the cost of any future expansion. Continued expansion of public transport could be achieved now in London at much less cost than is generally believed and with substantial further benefits for employment and incomes. Building on present GLC transport policies, transport spending could potentially be made into more effective instrument of economic intervention for the regeneration of London's economy.

4. The chapter therefore proposes a broader approach to transport planning by local authorities, which in London would be based on the transfer to local control not only of LRT but also of the British Rail inner suburban services. It would also involve increasing the Council's legal powers to undertake

transport spending for economic ends. In terms of transport planning, the approach proposed would involve widening the criteria against which transport spending is assessed, to include the impact of transport services and investment on industrial and commercial location, and urban land and labour markets. The local authority would be more actively involved in the assessment of services, investment decisions and the development of effective methods for assessing the returns in terms of employment promotion, as well as on the presently used, narrower, transport grounds. Issues to be investigated include the impact of particular service patterns on employment levels in particular areas, and on access of people to jobs: the impact of fares and service decisions on income distribution and on real incomes and opportunities; and the assessment of ways in which fares and service changes could be more accurately targeted to assist particular groups. Reorientation of transport policy in this manner would involve, furthermore, more effective local authority control of transport management strategy. The chapter proposes, on the basis of existing GLC policy work, directions for the development of an effective industrial public transport policy, aimed at integration of operations and maintenance, planning for expansion and the development of employment opportunities including those for presently disadvantaged groups such as women and ethnic minorities.

Introduction

20.01 Public transport policy has long been one of the most powerful — perhaps *the* most powerful — of the tools of intervention possessed by local authorities for influencing the development of their local economies. Faced with the economic recession and its devastating impact in the inner cities, there has been a growing realisation among progressive local authorities in the last few years that this potential has not yet been fully used. Over the same period, the government has developed a firm determination to remove from local authorities the ability to plan and subsidise their public transport systems at all. The sharpness with which the disagreement between central government and local urban authorities over economic policy has focussed on the issue of transport is the result of a correct assessment of the importance of the issue.

20.02 London has been one of the authorities in the forefront of these trends and conflicts. The present GLC administration's most popular, and well publicised, commitment when it came to power in 1981 was to reverse the long decline in London's public passenger transport. Before the abolition debate took over, public attention was centred on the attempt to implement these commitments through the 'Fares Fair' policies. The effects of the successful legal challenge to these policies by Bromley Council were moderated by the May 1983 fares revision, which lowered fares and introduced the integrated Travelcard for bus and underground travel. A large rise in bus and tube use followed, shifting over 10% of commuters to central London from cars to public transport: a greater success even than expected. Furthermore, car use for all

Table 1: Total transport and walking trips per week, working age adults in Greater London 1982-1983.

	Autumn 1982	Summer 1983	Autumn 1983
Bus	3.22	3.46	3.54
Underground	1.71	1.79	1.97
British Rail	0.91	0.85	0.84
Car driver	7.47	7.00	6.69
Car passenger	2.65	2.25	2.32
Motor or pedal cycle	0.73	0.80	0.81
Walk	4.48	4.15	4.03
TOTAL	21.52	20.71	20.64

Source: GLC/LT Travel Diary, Panel Results – Autumn 1983 (April 1984).

Note: a Category of 'other' trips is omitted.

travel fell by a similar percentage, while public transport use and total travel rose in the following six months.

20.03 On the basis of this success, the GLC modified London Transport's Plan to demonstrate that the improvements could be sustained and expanded over the following three years with little further real increase in subsidy, no drop in total employment and with a further decline in real fares. However the government removed control of London Transport from the GLC in July 1984.

20.04 During the course of the struggle to implement commitments to lower fares and higher service levels on London Transport, in the face of increasing government hostility, other issues in public transport policy also emerged into prominence, of which the most immediate was the question of employment. London Transport, and its successor London Regional Transport (LRT), is a major London employer. At the end of 1982, LT employed over 58,000 people. In the face of fast-increasing unemployment in London, especially manual unemployment and especially in the inner city areas, any loss of jobs by an employer of this scale has a serious impact. In view of the GLC's general aim, through its industry and employment programme, of maintaining and developing employment in London, it looked particularly closely at the reasons given by London Transport in 1983 for proposing further substantial job losses among their staff. In addition, a number of important issues concerning job losses among London Transport staff arose during the final year of GLC control. The LT management proposed a move to further one-person-operation (OPO) of buses, which entailed the loss of 1,400 conductors' jobs over three years. They also proposed to close down a large part of the bus and tube engineering work done within the organisation and contract out a substantial part of the maintenance work. In addition the management put forward proposals for reducing staff at underground stations, and for a programme of increasing one person operation of underground trains.

20.05 In this context the GLC undertook in 1983 and 1984 a substantial amount of research on the interrelation between its industry and employment objectives and the objectives of its transport programme including a review of existing research on transport and employment within the Council. The central policy theme which emerges from this work, and which this chapter seeks to elaborate, is that public transport policy has an extremely important influence on urban economic development, and that transport policy should therefore be made by local authorities, not in isolation from wider economic policy, but as an integral part of economic policy for a city. The close links between planning and transport policy have long been recognised; however there has been relatively little investigation of the impact of changes in public transport provision on employment, industrial location, and land and labour markets. This chapter proposes a widening of the present approach to transport policy, to incorporate employment promotion as a specific objective, in order to maximise the effectiveness of the progressive fares and services policy of the current administration in promoting employment. To incorporate employment policy as an explicit element in transport policy would imply widening the concept of benefits against which transport expenditure is assessed, and

assessing the returns from additional transport expenditure as against the benefits from other investment and revenue expenditure in the London economy. It would also imply developing an effective industrial policy for public sector transport, and widening the considerations involved in transport service planning to include the feedback of service provision on economic development.

20.06 Changes such as these in the terms of transport policy making at the local level in London would involve new legal powers for the GLC relative to those available to them in 1984 before the London Regional Transport Act was passed, as well as the return of control over local transport. Local government has no choice but to campaign to retain, or in the case of the GLC to retrieve, powers over public transport, since control over public transport is crucial to effective economic policy at the local level. Transport is central, in other words, to the strategic planning role which the GLC and the Metropolitan Counties have sought to develop and which the government wishes to prevent.

20.07 Furthermore such changes in policy making would require changes in the previously established relationship between transport management and the local authority. The implementation of an industrial policy of the type discussed below for transport in London would inevitably require a different balance of decision making power between management and Council Committee than that in existence up to 1983, and a changed relationship of the transport trade unions to the process of transport planning.

The economic importance of public transport in London

20.08 Good public passenger transport is the life blood of the London economy. The pattern of development of the railways, trams and tubes in the late nineteenth and early twentieth century determined the pattern of development of London's suburbs. Over a million commuters still squeeze through the densely-built inner city on their way to and from work in the central area: only high-volume, efficient public transport can carry these numbers, and indeed only 17% came by private car in 1983. Yet these 17% of commuters still created major road congestion. Without reliable, comprehensive, fast, cheap public transport, the centre of London could not continue to be a major centre of economic activity. Without such public transport, the economic life of a city such as London literally clogs up, with traffic jams, lead-filled fumes and noise.

20.09 The provision of public transport services in London has therefore an importance for industrial policy which goes far beyond the transport industry itself. The pattern, level and cost of public transport provision is an important factor in the location of industry and commerce. Although the subject is very poorly researched, fragmentary evidence from the United States and from a

study of South Yorkshire suggests that good public transport tends to sustain the location of commerce and some industry in central city areas, whereas poor public transport helps to scatter it. GLC experience shows that employers considering locating in the inner areas seek to locate at points of high accessibility by public transport, so that their workforce, drawn generally from a wide area of London, can get to and from work.

20.10 More generally, GLC research shows that employers in both inner and outer London regard the availability of public transport access for their employees as important to their choice of location. A survey of employers in the Lea Valley, to take just one example, showed a high level of concern about public transport accessibility. Employers in Docklands similarly complain of lack of public transport provision and attribute labour supply problems chiefly to this factor. Good public transport access is crucial to sustaining and developing employment in London's main industrial sites; where employers complain of lack of parking space for employees, improved public transport is the only viable solution.

20.11 The planning policies of the Council as represented in the draft alterations to the Greater London Development Plan, concentrate on the development of employment centres for both industry and commerce, at identified town centres within the Greater London boundaries. The intention is that these centres should be at focal points of the public transport network, allowing access for both employment and shopping by public transport. Achieving this involves improved orbital and interconnecting public transport links within outer London, and it is recognised that improving such links is crucial to encouraging employment growth in these areas.

20.12 London's labour market functions on the basis of public transport. Many better paid people travel long distances to work, while many lower paid workers, especially women, need to seek work locally. The public transport system has to serve both needs, and in many areas now does so poorly, especially outside peak hours. Off peak, for firms employing part-time workers or working unsocial hours, public transport access can be particularly poor. Poor public transport seriously limits the area within which people can seek jobs in some parts of London. In the 1980s public transport remains crucial in a city where in 1981 45% of households had no car (59% in inner London), and a far higher proportion of individuals in the workforce or in education do not have first call on private transport. Even where a household has a car, only one person can have full access to it at a time. All other household members, and this usually means women and children, remain dependent on public transport. London's decaying industrial areas cannot be redeveloped without the labour market flexibility provided by good public transport links.

20.13 This role of public transport in London's economy cannot be replaced by road building and the further encouragement of private transport. New road capacity, especially on radial routes, will merely encourage some people to switch from public transport to private cars. This undermines the finances of the public transport system and reduces its efficiency; the road speeds drop

again as the road fills up with new traffic. If public transport services fall as usage drops the logic of the passenger transport market implies that both car and public transport users end up with a worse service. Conditions for essential commercial traffic are worsened. Meanwhile the environment for living and working in the inner city has been further ruined by the destructive impact of new roads such as the Westway motorway and the Archway roundabout.

20.14 Reasonable road conditions for commercial vehicles are clearly important for industrial and commercial development in London, but commercial vehicle circulation can only be improved to the extent that private passenger transport can be moved off the road space. It is not possible for new road building to ease congestion without destroying the environment of inner London. If most commerce and industry were to leave the inner city, that would also ease congestion but would again be equivalent to destruction. With good public transport, London remains an attractive place to bring together workers and customers. The collapse of public transport would mean that much of London including the centre ceased to have an advantage over scattered locations in the Green Belt and beyond in terms of access to labour and buyers. The construction of the M25 has already created a magnet on the edge of London for new development serving London and the south east; the effects of this on industry and commerce in London, can only be countered by a combination of stronger planning controls in the Green Belt, improvement of the environment in inner London, more assistance to industry within London and better, more attractive public transport.

20.15 To propose major road building as a solution to London's transport problems, as the Secretary of State for Transport is now doing, is therefore to show a complete misunderstanding of the urban transport market. The short term market logic leads to a longer term market spiral of economic decline. Investment in urban roads will be very expensive and bring long run net costs. Investment in sustaining and developing public transport will cost less (as is argued below) than the government predicts, and provides the only possible basis for the continuing effective operation of goods and labour markets in inner London.

20.16 Transport policy also has other important economic effects in London. The availability and cost of public transport has a major economic impact on the income distribution and standard of living of London's inhabitants. Women, lower income people, the young and the old predominate among bus users. Much of London's inner city population — and large numbers in outer London as well — is completely dependent on public transport for access not only to jobs but also to services, family and friends, and leisure and sports activities. In Tower Hamlets in 1983, for example, the total numbers of supplementary benefit claimants were equivalent to over 40% of the resident households, and the numbers had been rising rapidly; even two years earlier, 67% of households had no access to a car. The equivalent figures for Hackney were 39% and 66%. This poor and public transport-dependent population is faced with a situation where the journeys they need and want to make are becoming

longer. Hospitals and schools are becoming fewer and larger, necessitating longer journeys; other social service provision is becoming increasingly scarce and concentrated. Retail outlets are becoming larger but fewer. Urban redevelopment has moved families further apart. Local cinemas and other entertainments have closed ... the list is endless. In these circumstances, both the cost and the availability of public transport is crucial to the standard of living of a large part of London's population. And while a higher proportion of the population in this situation is in inner London, poorer households in outer London are often in the worst situation of all, with poor or non-existent public transport multiplying the effect of even worse service provision. For all these categories of the population — as for Londoners as a whole — bus is the predominant mode of public transport travel especially for non-work journeys, and changes in bus fares and services therefore have the greatest impact on living standards.

20.17 It is clear that there are substantial groups within London's population who are served particularly badly by the public transport system. The tube is totally inaccessible to many people with disabilities, and the buses are also largely unusable by them. The take-up of GLC-funded dial-a-ride and taxi schemes has given a first indication of the extent of need and demand for transport accessible to people with disabilities. Furthermore, many women do not use the tubes in the evening, since they regard them as unsafe. Women also find the OPO buses less safe without the supervision of a conductor and difficult to board, especially with young children and luggage.

20.18 As well as its important impact on the whole of London's economy through the services it provides, public transport is also still a major London industry, and was even more important in the past. London Transport employed 57,700 people in 1983, down from about 80,000 (not including the London Country Buses area) in the early 1950s; most of this decline in employment occurred between 1953 and the late 1960s. In addition British Rail employed about 39,000 people in the London area in 1981, the last date for which there are figures. Of London Transport workers, around 19,000 are engineering workers, and their numbers were rising in the late 1970s when other employment in engineering in west London was falling. Furthermore, in the 1950s and 1960s other west London engineering firms, such as AEC, undertook work for London Transport: the Routemaster bus, still in service with LRT at an average age of over 20 years, was built partly at AEC in Southall and partly at Park Royal Vehicles. Since both were closed down by Leylands in 1978-9 London Transport's buses have been entirely built out of London.

20.19 Employment in public transport on this scale means that changes in the sector affect employment opportunities for manual workers in London, and also affect total incomes, total demand and hence other employment opportunities in the London economy. It has been estimated, based on work by the government's own Economic Service, that when 1,000 jobs are lost in public transport — or from any other major employer — at least 500 jobs are lost elsewhere in the London economy. The effect is produced by the impact of falling real incomes in London on the demand for goods and services produced

by other people. Up to 1983, total employment had been largely maintained in London Transport at a time of rapid decline in other sectors. Furthermore by 1983, with the sharp drop in engineering apprenticeships in London, those offered by London Transport formed 19% of all engineering apprenticeship recruitment in the GLC area, and over 50% of apprentice recruitment in the previously dominant engineering area of north west London.

20.20 London Transport jobs, especially conductors and train guards, have offered some of the better paid and more stable jobs available to women and black manual workers in London. Working conditions are far from satisfactory: the shiftwork pattern, though inevitable, is organised in an unnecessarily stressful pattern in many bus garages. The work demanded of staff has increased in intensity, especially with the move to driver-only operation of buses and tubes. Staff facilities are poor in many garages and depots. Inner London bus garages, even with the present unemployment totals, are finding it difficult to recruit and retain bus drivers. Nevertheless, the jobs offered have been stable, and the organisation unionised, at a time when working conditions and union organisation have been under severe attack in other parts of the economy.

20.21 Finally, to the direct employment has to be added employment of workers on contract for London Transport. By funding a £70 million programme of station modernisation, for example, the GLC has provided an estimated 4500 job-years in construction and related activities on London Transport-related work in 1983. Other expenditure on garage modernisation and lift and escalator renewal has similarly generated additional jobs.

Table 2: Apprenticeships in engineering in the GLC area and in London Transport: First year apprentice recruitment.

	1980/81	1981/82	1982/83
Greater London	1,491	1,020	650
Outer North West Sector	609	382	231
London Transport*	132	132	121
London Transport as % of Outer North West	22%	35%	52%

* The figures for London Transport are for calendar years 1980, 1981, 1982. The figures for 1983 was 98, and the total was planned to fall to 31 in 1984.

The decline of London's public transport

20.22 The popularity of the present GLC's commitment to improve London's public transport was fuelled by Londoners' perception of a long history of decline. The relative and absolute decline in the standard of London's tube and bus services is something remarked on by all visitors to London who knew the city in the 1950s and contrasts with the advances in public transport provision and use in other large European and other cities. A previous GLC Labour administration had been elected in 1973 with a similar aim of stemming decline, and had been defeated largely by the then Labour government's financial policies towards local government spending, in the context of the oil price increases, inflation and rising subsidy. Apart from this brief reversal, the three decades before 1981 had seen a major decline in bus services and bus use, and substantial periods of less dramatic decline in total underground services and travel (temporarily reversed by the opening of the Victoria line).

20.23 This decline in urban public transport resulted partly from the falling London population and from employment decline reducing patronage. However, it was also caused, to a considerable measure, by a mixture of bad management and problems of political control, compounded by some mistaken planning and economic assumptions. It has also been the result of a series of national decisions, by governments and by British Rail, which have consistently placed the needs of London second to the aims of national economic and transport policies. For most of the period neither London Transport nor British Rail were under the control of London local authorities: London Transport only came under GLC control as a result of the Transport (London) Act of 1969. Before this time, London's transport was dependent on the decisions of the transport management, the government ministers responsible for transport, the Treasury, and from 1947 until 1962 a quango, the British Transport Commission.

20.24 There are two highly conflicting views about why public transport provision and use has declined in London in the manner shown in figures 1 and 2. The first, is that it is essentially the largely beneficial result of economic growth. Higher incomes have implied more car ownership, which has in turn meant more car use and less use of public transport, especially of the buses. This has undermined the finances of public transport, and the effect is said to be permanent and continually worsening as the real wages of transport employees rise. The government enthusiastically endorses this analysis — which is held, more or less reluctantly, by many transport planners — and adds that public transport, in this situation, has not been run down fast enough. For public transport systems, which they argue are a burden on taxes without limit, the government's prescription is fragmentation and privatisation, a sharp enforced cut in subsidy, fewer and poorer services, lower employment and worse working conditions, an end to integrated provision of services. The worst immediate results of these proposals are likely to be felt out of London, since the government has stopped short of proposing an end to bus route licensing in London. However, because of London's acute dependence on

public transport, the medium term effects of the break up of London Transport are likely to be very serious. This is because the Secretary of State for Transport takes the view, as he put it when announcing the end of the Transport Supplementary Grant system for all local authority transport expenditure except road building, that 'There is no longer any justification for special taxpayers' support for current expenditure on local transport ... or general public transport subsidies.'

20.25 There is very substantial evidence that the analysis underlying these conclusions is incomplete and therefore seriously misleading. Part of this evidence comes from the government's own approved social cost benefit analysis, which shows further public transport spending to produce substantial net benefits. For example the calculations quoted in the London Transport Three Year Plan, as modified by the GLC, show estimated benefits of £1.10 from an additional £1 of revenue subsidy, even with subsidy over 50% higher than present levels. Part of the evidence also comes from a rethinking currently underway among transport planners and others concerned with urban economic policy; part emerges directly from the experience of the GLC and other metropolitan counties in implementing transport policies over the last few years which run against the grain of government thinking and against the weight of the traditional analysis of 'transport professionals'. This rethinking needs to be summarised briefly here, since the argument that it is possible to expand London's public transport services without large increases in revenue subsidy and with very substantial transport benefits is an essential basis for an industrial strategy for the public transport sector.

20.26 The central point in the developing critique of the 'inexorable decline' theory of public transport in London, and elsewhere in Britain, is that it badly underestimates the causal role of worsening service provision and rising fares. Recommendations concerning fares and service levels have often been based on pessimistic assessments of the likely response of passengers to lower fares and better services. The models on which these assessments have been based fail to take into account a whole series of ways in which declining services have discouraged public transport use in a city where car use is, during the weekdays at least, slow, stressful and expensive. There has also been consistent over-estimation of the expected growth in car ownership in London: there are whole council estates (such as the Stonebridge Park Estate in Brent) where unused garage space is now being converted to workshops and community rooms. The assumptions that incomes will continue to rise, and that the moment people can afford a car they will buy and use one, are now being reassessed.

20.27 The market for public transport in London looks different from the orthodox planners' models if one takes full account of the impact of the following factors in discouraging use of the system in the 1950s, 60s and 70s, and in undermining people's confidence in the system:

- (a) The effect of the acute unreliability of many bus services in the 1960s and early 1970s, because of staff shortages and bus engineering problems, in discouraging people from commuting to work by bus.

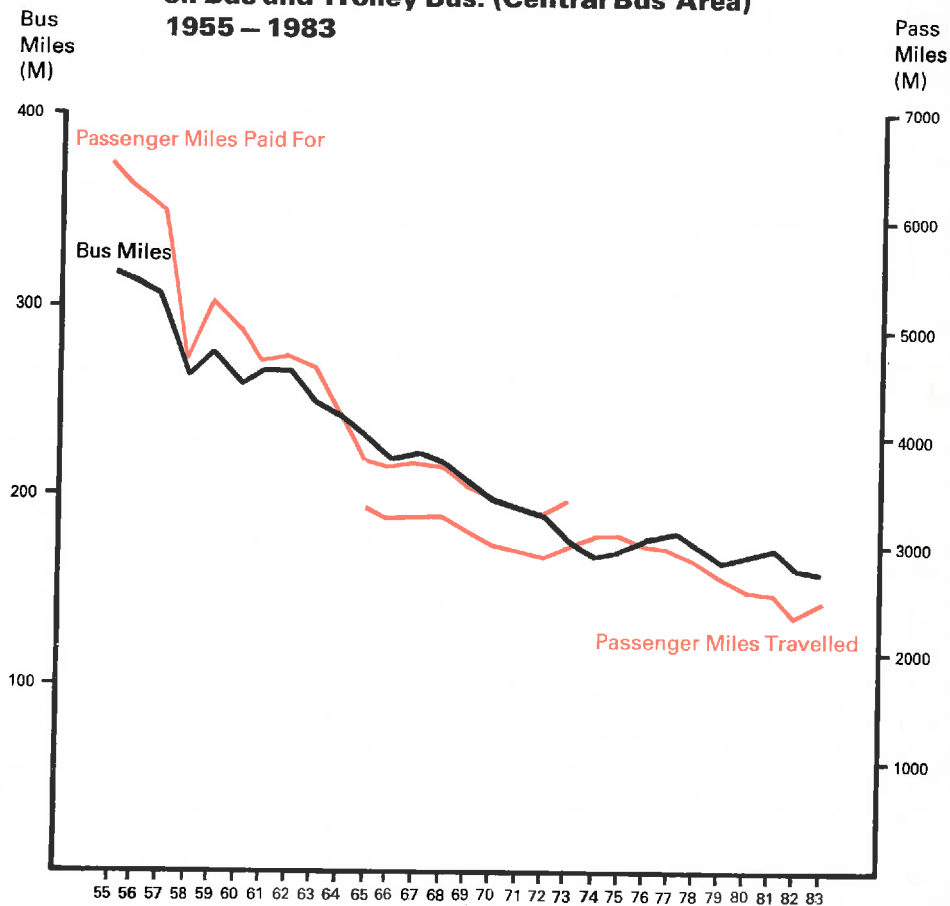
- (b) The effect of the decline in accessibility of the bus service, especially for less physically able members of the population, as a result of the shift to driver-only operation.
- (c) The effect of the depressing environment, lack of security, and overcrowding on the tubes in discouraging tube travel both in peak hours and in the evenings.
- (d) The effect of the persistent rundown of evening, night and weekend services in persuading people to buy a car (and thereafter to use it as much as possible) when they might otherwise have remained with public transport.
- (e) The effect of the relative and absolute rundown of services on British Rail inner suburban services in discouraging dependence on public transport in areas served by them, especially in areas such as south London where there are few tube lines.
- (f) The difficulty of obtaining and understanding information, caused by poorly presented timetables and maps, unnecessarily complex variations in LT bus services, and the early closing of many inner suburban BR stations.
- (g) The lack of integration, up to 1983, of tube and bus fares, and their lack of integration with BR fares, which put a penalty on journeys which involved switching modes of transport and made poor use of off-peak capacity before the advent of the Travelcard.
- (h) The sharply fluctuating real fares in the 1970s, which created uncertainty about public transport costs and hence encouraged car ownership.
- (i) The effect of road space limitations in slowing private traffic growth and the effect of the recession in causing people to place more weight on cost against convenience when choosing between private and public transport.

20.28 All of these factors logically would cause transport planners to be over-pessimistic about the response of passengers to improved public transport, especially substantial and sustained improvements in both fares and services in the current recession. Evidence from the recent GLC and metropolitan counties experience supports this. Many transport planners seriously underestimated the response to the introduction of the Travelcard and the associated 25% drop in real fares in London. Estimates by London Transport of the revenue effects of this simultaneous decrease and integration of fares were at least £35 million below the outcome, and no one predicted anything like the 10% decrease in car commuting. If the policies were continued, then there would undoubtedly be further effects, as a recognition of the benefits of the Travelcard spread, and more people shifted modes of travel. Similar evidence comes from the metropolitan counties. One transport planner

from a metropolitan county commented that while he had previously believed that all decreases in fares cost a great deal of money, he had concluded from recent experience that if a drop in fares was big enough it would almost pay for itself. In South Yorkshire, a recent study of the low fares policy concluded that the responsiveness of travel to low fares appeared in the long run to be about twice the short term level.

20.29 As a result of the experiments with lower fares, planners in the north of England and in London have been reassessing their models, and concluding that the 'underlying decline' — that is, the loss of passengers which will occur even if real fares and service levels are maintained — has been considerably overestimated. The last calculations by London Transport's planners before the GLC lost control estimated a zero underlying decline in demand for tube travel, and a decline for the buses of less than half the previous 2% estimate. Similarly

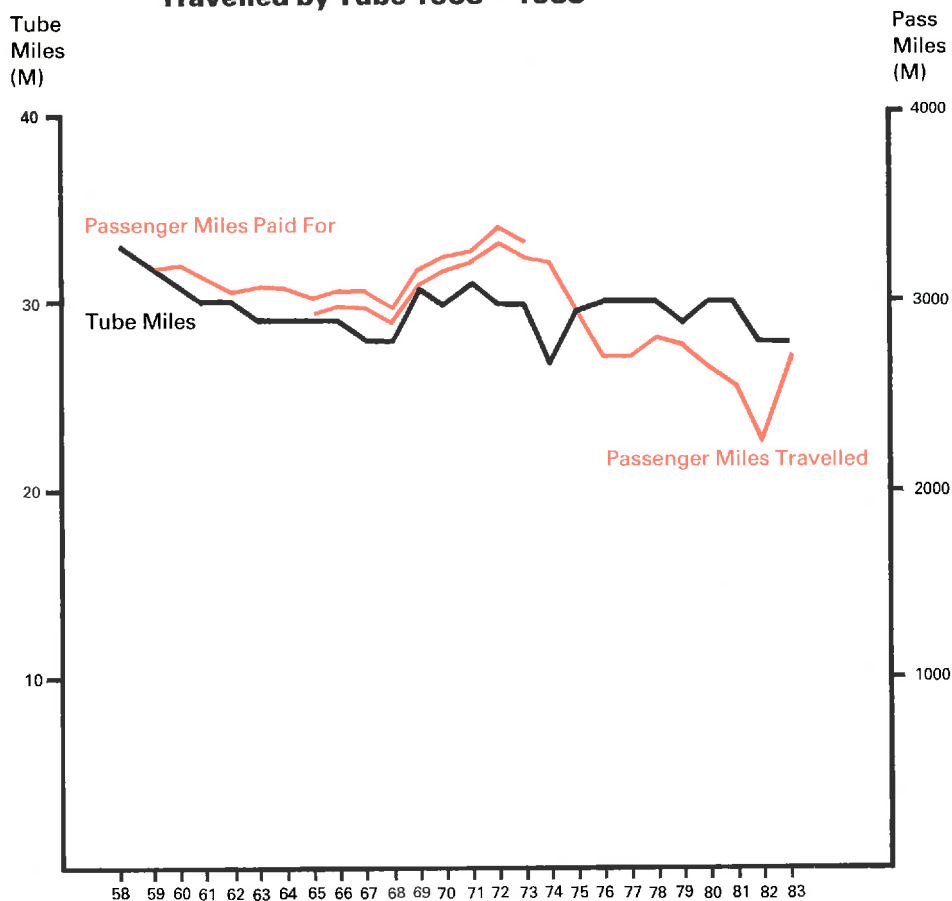
Figure 1. Bus and Trolley Bus Miles Run, and Passenger Miles on Bus and Trolley Bus. (Central Bus Area) 1955 – 1983



the West Yorkshire planners have revised their 'underlying decline' assumption down from 2.7% to 1.5% in the light of recent experience.

20.30 The implications of these technical arguments are threefold. First, public transport did not inevitably decline. It was run down. It follows that the decline can be reversed, and that it is possible in London (and in other urban areas) to sustain public transport services and to further reduce fares without a large further rise in real subsidy. The last London Transport Three Year Plan set out this argument in detail for the mid 1980s, based on the revised planning assumptions (see Table 3). More generally, while the argument has become current among conservative commentators that public transport must be dismembered if subsidy is not to rise without limit, the rethinking sketched here suggests different conclusions. The revenue subsidy to London Transport

Figure 2. Tube Miles Run and Passenger Miles Travelled by Tube 1958 – 1983



rose sharply from almost nothing in the mid 1970s (figure 3) as a result of a wages and fares freeze at a time of high inflation and acute economic uncertainty. At this time the rise in car ownership fell to zero, and public transport use rose (figures 1 and 2).

20.31 This was a period of lost opportunity. Had services been sustained and fares not risen very sharply, then it is likely that the subsidy required would have been eroded by rising use. Instead, the period contributed sharply to the loss of confidence in public transport, and the decline was resumed.

Figure 3. GLC Revenue Support for London Transport 1970 – 1983 (£M)

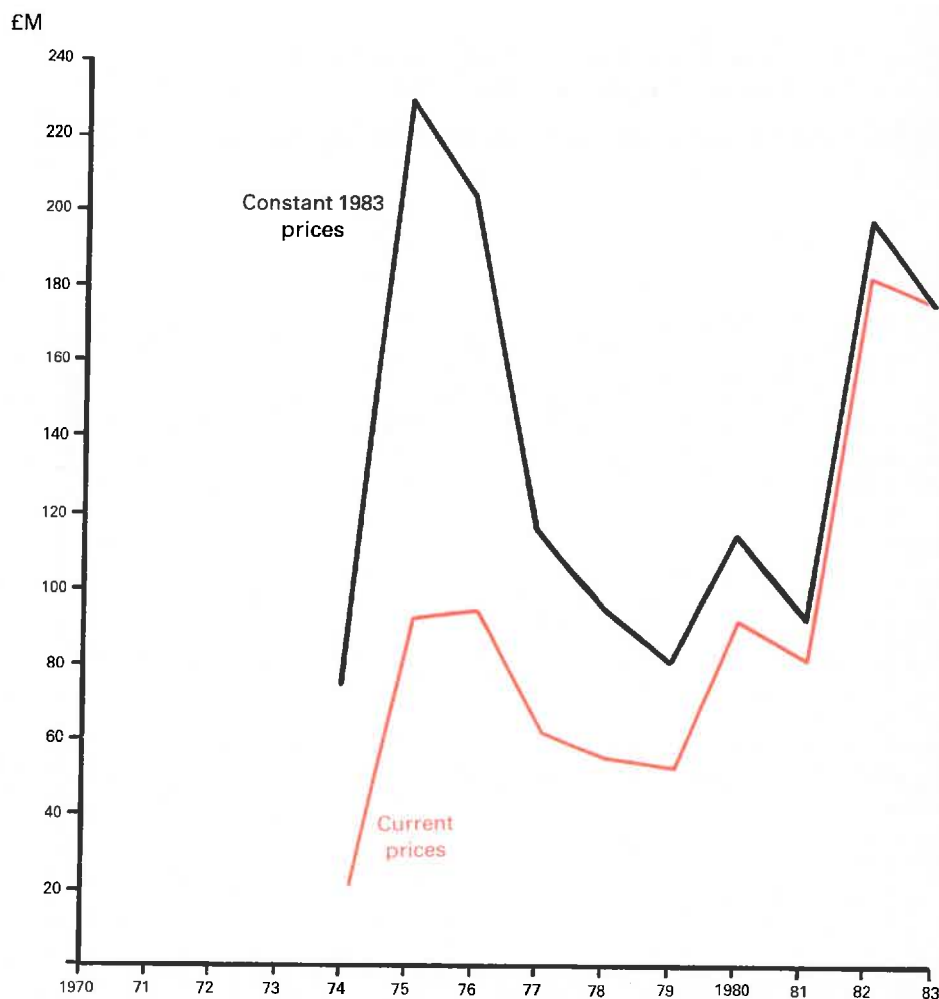


Table 3: **London Transport Plan 1984-5 – 1986-7, as modified by the Greater London Council**

Outline figures			
	1983	1986-7	% Change
Fares index (post May 1983)	100	86	-14.0%
Service levels (million miles operated):			
– Bus	163.9	170	+3.7%
– Rail	28.8	30	+4.2%
Fares and other incomes (£m)	521	479	-8.1%
OAP and concessionary payments (£m)	67	59	-11.9%
Revenue support requirement (£m)	168	185	+10.1%

Source: London Transport Plan 1984-5 – 1986-7, as modified by the Greater London Council.

Note: Price base mid 1984-5 with 1983 figures adjusted for the effect of the 22 May fares reduction and non-recurring items.

20.32 Second, these conclusions hold even before the longer term effects of better transport are fully allowed for. There is substantial evidence that public transport availability does affect car ownership, as well as car use. The evidence comes from longitudinal studies in South Yorkshire, and from cross section studies in London. In London higher income people living close to public transport are less likely to have a car than those with similar incomes living further from the public transport network and indeed this assumption is built into the car ownership forecasting model. In South Yorkshire, where bus fares are very low, car ownership is markedly lower for younger age groups than in West Yorkshire where fares had long been among the highest in England. This suggests that low fares and sustained service levels have affected the car-buying habits of a generation. Car ownership for people who both live and work in London, particularly in inner London, is something of an expensive luxury; reliable public transport services, including off-peak, nights and weekends, in a context where people had confidence that the services would be continued, would be likely to persuade more people to sell their car and spend the money on something else, as well as cutting down car commuting by providing less incentive to have a car in town during the day.

20.33 Third, the effect of these two factors is that, especially in London, the 'transport benefits' from higher and cheaper public transport services — that is, the benefits to everyone who is travelling, including road users, cars, bikes and pedestrians, as well as public transport users — are substantially higher than

has been previously calculated. Even on the basis of the Department of Transport's own models, subsidy of public transport produces positive social benefits (a fact which has caused the Department rapidly to cease emphasising the usefulness of such modelling); the revised models increase the estimated benefits considerably. As compared to urban road building, which is likely to have negative social benefits for Londoners, public transport expenditure emerges favourably from social cost benefit analysis.

20.34 Finally, the benefits of improved public transport would be even greater if government policy did not actively subsidise private car use in a manner which increases urban congestion. Of the cars coming into central London in the morning peak, no less than three quarters are company-assisted to some extent. Such 'perks', which greatly increase incentives to commute by car, are encouraged by government taxation policy and have contributed to public transport's decline. Currently company car users receive an estimated annual subsidy of between £0.9 billion and £1.8 billion or between £600 and £1000 per person. This can be compared with an annual subsidy of less than £100 to each public transport user in London. Elsewhere in Europe and in Japan, the tax regime encourages employers to assist employees to travel to work by public transport.

20.35 In summary, if public transport has been run down by public policy, it can be revitalised by public policy, as a number of local authorities have recently begun to demonstrate. But the effect of present government policies towards LRT is to make such a revitalisation in London increasingly costly. Present policies have abolished the strategic transport planning function for London: this formed part of the provisions of the London Regional Transport Act. In addition, the Secretary of State for Transport has announced that he will be seeking a decrease in real subsidy to London Regional Transport of over 50% of the present level. This will mean increased fares, lower services, and in the longer run will substantially reduce the capacity of the organisation to run an effective public transport service. It will thus give a further twist to the spiral of private car use and road congestion.

20.36 In addition to a decrease in subsidy, a series of other policies have been agreed between the LRT Board and the Department of Transport which will have a serious effect on the physical capacity of the organisation and its ability to run an effective and flexible service. LRT is to be fragmented into a number of separate businesses, including London Buses, the bus operating subsidiary; Bus Engineering, a subsidiary undertaking some of bus maintenance work; a further one or more businesses for the rail operations; a separate business to run the building, construction and repair work done in-house. Within these separate businesses, various sections of the work are again to be treated and costed as 'businesses'. Where bids for these smaller sections of work can be obtained at a price below in-house costings, then such work would be contracted out, and the smaller businesses closed down. The net result proposed involves the closing of a substantial part of existing engineering works for both rail and bus, and hundreds of job losses among skilled staff. Many of the outside contractors' jobs created in the engineering field would be outside London, since few suitable contractors remain in London.

20.37 When these proposals in respect of the engineering works were put to the GLC in late 1983 and early 1984 — a process involving a substantial argument as to whether the London Transport management was in fact legally compelled to consult the Council on so substantial a matter — the GLC expressed serious reservations whether the proposals constituted a proper fulfillment of London Transport's duty to provide or secure the provision of such public passenger services as best meet the needs of London (the duty stated in the Transport (London) Act 1969.)

20.38 Specifically, the GLC felt that the proposals failed to assess properly the long term costs either of the administrative fragmentation involved in the proliferation of separate businesses, or of the administrative, supervision and stockholding costs involved in the control of outside contractors. The accuracy of the costings appeared particularly open to doubt given the criticisms by the Monopolies and Mergers Commission of internal costing methods and cost control. Furthermore, the proposals appeared to put at risk the reliability of the bus service, painfully improved through better maintenance methods in the mid-1970s, since they reduced the operational management's control over maintenance standards.

20.39 Finally, the GLC objected to the fact that the tendering process allowed wages and conditions negotiated internally to be undercut by the generally worse conditions in private contractors. This question, while having some force in engineering, was a particularly serious consideration in the comparable proposals for contracting out of building and building maintenance work, where sub-contractors frequently use 'lump' labour and ignore basic health and safety precautions.

20.40 In addition to the proposals for reducing the capacity of in-house engineering work, the LRT management is pursuing a bus purchase programme which involves relatively rapid replacement of the Routemaster buses with buses with doors suitable for driver-only operation. Up to early 1983, the London Transport management had always argued that such a major shift to one person operation — the present level of OPO is just over half — was financially and operationally undesirable. The Monopolies and Mergers Commission inquiry accepted this view. The reasons for this caution are still valid: Routemasters with their open back platform have much faster boarding times, and are more efficient in inner and central London conditions. The LRT management is now however locking itself into a commitment to 100% OPO, by reducing the rate of maintenance of the Routemasters (which have survived so long because they can be virtually rebuilt at the Aldenham bus works) and programming a rapid shift to OPO as new buses become available. Only OPO buses are being evaluated for purchase. The implications, according to internal LRT planning, will be the loss of nearly 3,000 conductors jobs in the next three years since the change to driver-only operation will be speeded up as compared to earlier plans. Furthermore, the job losses will fall disproportionately on women and black employees, since these groups form a far higher proportion of conductors than of drivers, and both have a low rate of retraining as drivers. Twenty one per cent of conductors are women, but less than 1% of drivers. The

move will also imply a much less effective and accessible bus service, and because of the probable loss of passengers, is not likely to produce even the cost savings calculated.

20.41 The effect of many of these management plans will be not only a major loss of jobs but also a major decline in the capability of LRT or any successor organisation. The decline in numbers of garages, the loss of engineering works on both rail and bus, the loss of skilled staff, all this would make it far more costly in a few years time to expand the public transport system than it would be now. And many more passengers will have been lost. This approach, another and very serious twist in the spiral of decline which the present GLC administration was trying to reverse, is the final result of a management strategy which, in areas where it has taken initiatives, has concentrated on cost cutting. As a consultant to the GLC commented when analysing the management's plans to close much of Acton railway works, the logical end product of a management strategy which focuses exclusively on cost cutting is the closure of the activity in question. While a private firm would be forced to look at alternative investment projects in terms of the relation between costs and returns and to examine, therefore, alternative projects for expansion of the activities of the organisation as an alternative to contraction, the framework of London Transport's management strategy has been essentially that of taking a declining output for granted and planning for associated internal decline.

20.42 This inward-looking planning method is the result of a specific management approach, not of the public sector status of the organisation. The history of closure of ancillary activities and the ending of earlier practices of bidding for outside work, such as modification work for non-LT railways at Acton works, formed part of a gradually developing management strategy for London's public transport. It ended in wholehearted acceptance of government pressure for fragmentation, closure, and contracting-out.

An argument for an alternative approach

20.43 A number of the measures of service reduction, closure, privatisation and fragmentation just discussed are defended by both the LRT management and the government in the name of industrial efficiency and good economic management. These claims have been refuted by the GLC and by its consultants, who have argued that the measures are neither efficient in an internal ('private') sense, nor desirable in their effects on London's economy. The rest of this chapter argues that, taking as a starting point the reassessed benefits of public transport to travellers in London just outlined, and the consequent case for sustaining public transport provision, there is also a strong case for widening transport policy criteria to incorporate explicitly the pursuit of employment objectives. It also argues for the formulation of an alternative approach to industrial organisation and development of the transport industry in London. In doing this, it should be understood that the proposals are

intended, not as a worked-out programme of policy and investment measures, but as an argument for a shift in *approach* to transport planning. The main analytical content of the shift in approach proposed is, first, the more explicit incorporation of concepts of the urban market, and of market intervention, into the planning framework, conceiving of transport investment and service levels as forms of intervention in labour and land markets. Second, the aim of such market intervention should be employment development and support, implying involvement of the planning authority in specific service as well as investment decisions on employment grounds. And third, the local authority should develop an effective industrial policy for the public transport sector.

An alternative approach to industrial strategy: bus purchase and bus engineering

20.44 The argument begins with an example of an alternative approach to industrial policy in public transport: alternative, that is, to the approach of the present government and management. This is taken as the starting point because experience has shown that establishing an appropriate management strategy within the public transport operation is crucial to the development of alternative policies for the public transport sector as a whole. To implement an integrated transport policy requires an integrated public transport operation, run as an interrelated unit which draws on economies of scale. This, furthermore, can be done on the basis of a different management approach to the industry to sustain employment and increase services to passengers, while developing the productivity of the organisation especially in the engineering field.

20.45 This section provides a summary of the case for such an alternative approach in the case of bus operations, engineering and forward planning, arguing that the alternative is both viable and desirable.

20.46 The central aim of an alternative approach to London bus operations and its associated activities is to develop the bus industry in London, rather than to run it down. The approach depends upon a basis of sustained bus service provision. That it is possible to undertake such a shift in aims and approach, is illustrated by a number of initiatives undertaken by the GLC in association with GLEB in order to increase the work throughput of the bus engineering works, and thus sustain employment and generate income, and by the work of GLC consultants on management strategy and alternatives to 'off the peg' bus purchase.

20.47 The main elements of the alternative approach are the following:

- (a) The active development, through an involvement at the design stage, of a more appropriate bus for London operating conditions than those currently being considered for purchase. Or, as one commercial bus engineer put it, adapting a bus to London, rather than trying to adapt London to the buses available.

- (b) The retention of crew operation on inner and central city routes where it is more efficient and provides a better service, using a new appropriately designed bus.
- (c) The involvement of the bus engineering staff in developing, in-house, the best maintenance methods for the new bus, with the aim of developing capacity to maintain the new buses over a substantial period.
- (d) Related to this, the general aim of developing maintenance capacity which provides flexibility in the length of life of the buses, according to capital requirements, operating constraints and overall policy.
- (e) The active seeking of additional work for the bus engineering works, in the area of contracting in testing and maintenance and developing new products.

20.48 Work undertaken by the GLC and GLEB have demonstrated the viability of all the elements of this approach. The project developed jointly by GLEB and London Transport, before the LRT Bill became law, to develop a commercial bus and coach chassis using available skills and capacity at Aldenham works, and the associated market research, demonstrated a serious alternative to contraction and redundancy in the engineering works. Under the LRT Act, however, manufacture for third parties by the LRT businesses is not permitted, and hence the chassis project cannot be developed for manufacture by LRT. In a similar way, the active seeking of outside testing work for both bus works at Aldenham and Chiswick demonstrated that the engineering works and its skilled labour force could be turned into an income-earning asset for the organisation as a whole. The active involvement, furthermore, of trade unionists in developing these ideas and proposals demonstrates the possibilities of a different and less secretive approach to management and strategic planning which is possible when the aim of such planning is to expand the activities and sustain employment, rather than to run down and contract out.

20.49 On the question of bus purchase, consultants working for the GLC in collaboration with the trade unions have argued that the purchase of existing buses, 'off the peg', a strategy recommended by the Monopolies and Mergers Commission presumably to save costs and possibly to sustain an 'arms length' market relation with suppliers, is based on a misunderstanding of the technical demands of bus design and of the economics of bus building. There are not sufficient economies of scale in bus body building, at least at the level of production runs realistically found in this country, to produce large cost gains from purchase of existing models. LRT has at present perhaps a quarter of the UK market for new buses. This market influence, plus the very substantial experience at Aldenham and Chiswick works of the implications of London's severe operating conditions for bus maintenance needs, should allow LRT to develop, in collaboration with bus chassis manufacturers and body makers, an appropriate and reasonably priced replacement for the Routemaster. This would both allow efficient crew operation, and display at least some of the

maintainability characteristics of the Routemaster. This method of bus purchase would not be more expensive than the present one, and might actually be cheaper, even in the short run, since an appropriate design is likely to be simpler in engineering terms than the present OPO buses. The best approach might be actually to build a few of the buses at the works in the early stages, in order to develop maintainability as an inherent part of the design, draw on the experience of skilled staff in the process, and retrain staff at the same time as developing maintenance routines for the new buses. If a higher rate of maintainability could be achieved, the whole life costs are very likely to be lower than for existing buses.

20.50 One aspect of better bus design would be to draw on the high level of accessibility of existing Routemaster design, as compared to the OPO buses. Passengers have severely criticised the OPO buses for inaccessibility and an uncomfortable ride. The aim would be to develop a highly accessible bus for inner London operation which, worked with crew, would retain all the passengers who currently hop on and off the Routemasters, away from bus stops, in slow-moving central London traffic conditions (that is 25% of all passengers in central London). It would also retain those passengers who find the OPO buses highly inaccessible in any conditions.

20.51 It should be added at this stage that the development of such an active policy towards bus design and bus building does not necessarily mean simply the shifting of jobs from another part of Britain to London. The market for buses is not limited to Britain, but has long had a substantial export component, for both chassis and body builders. The restriction of bus production to a very small range of models, some of them over-complex and inappropriate to many difficult types of operating conditions, does not increase the competitiveness and saleability of the industry's products. With these proposals, buses for London might still be built out of London, or partially so. The aim of these proposals is to retrieve control over the bus building process for the London bus operator, and to retain some part of the work for the existing or remaining London industry, while increasing the range of products of the industry as a whole. At the same time, the chassis building project, a somewhat separate initiative, would inevitably be directed, like all chassis developments, at a market wider than double decker buses, to include the coach market in Britain and also overseas markets.

20.52 A management strategy such as that just outlined is entirely compatible with public sector ownership. More strongly, it can only be achieved if the public transport organisation is run as an integrated operation, allowing joint planning of the service and the industrial sides of the operation. Just as services can only be provided cost effectively if they are run as a system, so maintenance and production can only be effectively planned jointly with services. An integrated public transport industry allows the best use to be made of necessary support for services, in regenerating the public transport industry as a whole.

An alternative management strategy for London's public transport

20.53 The discussion of bus purchase and bus building provides only a single example of a different management strategy which could be developed for London's public transport, aimed at turning the sector into a dynamic element of London's economy rather than trying to run it down, and seeking to do this in such a way as to sustain and improve working conditions and employment and develop the involvement of the workforce in appropriate and agreed ways in the development of their industry.

20.54 The main elements of such an alternative strategy at the management level are the following:

- (a) Integrated management of the whole public transport organisation which draws on economies of scale in administration and supervision, and seeks to retain the maximum work in-house at acceptable conditions and rates of pay.
- (b) Engineering work which treats engineering maintenance as an integral part of bus and rail operation, rather than as a series of different businesses to be managed in their own terms.
- (c) Engineering management which seeks to allow the organisation a substantial flexibility of choice as to the standard to which buses and rail stock are maintained and hence the length of their life.
- (d) Bus purchase which seeks to acquire a suitably designed bus for London conditions, by taking a more active role at the design stage and in prototype construction.
- (e) In-house engineering work which seeks to draw on and develop the skills of the workforce, including training in new skills as technology changes.
- (f) Engineering workshop management which seeks to develop the range of work done by the workforce, including contracting in outside work and developing manufacturing, as an alternative to contracting out and redundancy.
- (g) Technical changes, in both operations and engineering, which seek to use new technology to improve working conditions, and control of working conditions by the workforce, as well as to improve service to passengers.
- (h) Management accounting which conceptually separates the undoubted need for improved cost accounting methods from the establishment of 'profit centres' with a view to facilitating privatisation. Management accounting should also properly assess the long term costs to the organisation (and hence to the ratepayer and the taxpayer) of privatisation of ancillary services and parts of the transport operation.

- (i) Industrial relations which exclude the use of privatisation or the threat of privatisation to undercut negotiated wages rates, achieve redundancies or overcome low productivity which may have resulted from poor management methods and which includes an effective equal opportunities policy.
- (j) Planning the development of the organisation by drawing on the knowledge and views of the workforce, including those of the operating staff.

An integrated economic strategy for London's public transport

20.55 The type of management strategy just outlined can only be developed with the full involvement of a local authority with political responsibility for both the public transport system and its impact on the local economy. The last section of this chapter argues that effective links between employment and transport policy can and should be made at all levels of transport policy making, allowing transport spending and the development of public transport to become more effective in also promoting employment.

20.56 The present GLC administration, while in control of London Transport, sought increasingly to incorporate into its plans for the organisation the widest range of criteria for planning and expanding the service which was possible within an increasingly constricting legal framework. In the process, it became clear that the economic impact of transport on the wider economy of London, in terms of the job market, standards of living and income distribution, and employment maintenance and training was so great as to make a nonsense of any strict division between employment and industrial policy on the one hand and transport policy on the other. The collaboration developed, therefore, between transport and employment policy making over such questions as the proposed closure of Aldenham works, could be a model for a much more effective and extensive integration of the two policy questions in the future, should the legal constraints be loosened.

20.57 Two further examples may make the purpose of such an integration clear. First, work done at the time of the proposed extension of one person operation of the buses, showed that the costs to the public exchequer of the additional unemployment generated in London far outweighed the gains in terms of costs saved for London Transport. A GLC consultant estimated the net cost to the country in 1983 of a loss of 1,000 jobs at £7.5 million including the indirect effects, whereas London Transport estimated its net financial gain at £5.3 million per annum. Furthermore, if the sole financial effect of the redundancies among conductors was to reduce the subsidy to London Transport, instead of passing on the financial savings as lower fares then there

was a clear net loss in social and economic terms to Londoners from the policy. Passengers on London Transport showed a clear understanding of this problem. In research based on group discussion of the pros and cons of OPO buses, a majority of the discussion groups, faced with the choice posed by London Transport of higher fares, or a worse (OPO) service, sought to change the terms of the choice to a three way issue, with the unemployment generated by more OPO as a specific issue. Public concern about unemployment has now become a central issue in London, and any serious evaluation of transport policy, considering the balance of choices in the light of Londoners interests, has to take this issue fully into account. This means moving away from the government's economic evaluation techniques, which give no weight to unemployment as a cost to Londoners beyond the direct cost of redundancy pay.

20.58 Second, there is the example of income distribution and fares policy. Fares and services policy has a major effect on the standard of living of the poorer members of London's population. The argument has occasionally been put forward that a cheap fares policy chiefly benefits better-off commuters in London. This ignores two issues. First the financing of the transport subsidy: about 40% of the support from the rates for public transport is derived from the City of Westminster and the City of London and a similar proportion from outer London boroughs; also those on the the very lowest incomes generally pay little in rates because of the operation of rate rebates and housing benefit. And second, the welfare benefit to the less well-off of the extra money available for other spending, or the extra journeys which can be made, is likely on any reasonable assumption to be considerably higher than for the better off. Work done in the mid-1970s concluded that higher rates and lower fares were of net benefit to poorer households, even though the rating system was on balance regressive. In addition, at the lower end of the income scale, considerably more of the real income increase created by lower fares was spent on further travel, showing the extent of transport need. Fares policy is undoubtedly a substantial tool of intervention in the income distribution and standard of living of Londoners, and more work is necessary to identify the precise income distribution effects, and the way fares policy could be targeted better to assist particular disadvantaged groups.

20.59 The point of these two examples is merely to illustrate the extent to which transport policy is, in effect, a tool of economic intervention in London. It affects the whole operation of the economy, whether the effects are planned or not. Furthermore, the necessary subsidy to the transport system, given the extent to which it has been run down, is substantial, making up around a quarter of the GLC's revenue budget in 1984-5. It would clearly be desirable, therefore, first to examine the extent to which the pattern of use of this subsidy is producing desirable economic effects, and ways in which that might be improved; and second, to compare the relative benefits of further transport investment, versus other industrial investment, in pursuit of the Council's aims for industrial and employment policy.

20.60 The main elements of such a strategy, linking transport and industrial

and employment objectives, at the policy making and political level are the following. The proposals necessarily involve a shift in the relations between transport management and policy makers, as well as between different policy making areas of the Council, which would need to develop more effective collaboration. They also require the effective involvement of the trade unions in developing policy, if the direction of change is to be in the interests of labour in London. The South East Region TUC, commenting on the artificial distinction between industrial and employment policy on the one hand and transport policy on the other, which was embodied in the legal framework at the time when the GLC was still in control of London Transport, stated, 'SERTUC deplores this fundamental inadequacy in the remit for transport planning. The Region believes that legal requirements should be placed upon the GLC (and any other authority with transport responsibilities) to make the consideration of social and economic criteria a major obligation for transport policies'.

20.61 While the points put forward below are developed in this paper in terms of policy for bus and underground operations, the effective planning of London's public transport would be best facilitated by making the GLC also the authority for British Rail inner suburban services, which operate broadly within the GLC boundaries and which should be more effectively integrated with the bus and tube operations. The main elements of a new integrated strategy would be the following.

- (a) An involvement in policy making by the local authority which goes beyond fares and service levels and the approval of major investments, and includes the setting of explicit and detailed guidelines for management strategy.
- (b) A policy making process which involves the relevant trade unions in developing plans for the industry.
- (c) An investment strategy which seeks to develop the public sector transport industry as a thriving London industry.
- (d) Planning which seeks to integrate public transport where appropriate with the rest of the public sector at local level, maximising the use of public sector linkages and economies of scale, the maximum use of direct labour, and the ensuring of appropriate working conditions in contracting firms.
- (e) Planning which includes the active promotion of job opportunities for black workers and women workers.
- (f) Training and apprenticeship provision in the public transport organisation which treats such training as a London-wide, not merely a transport resource, and finances it accordingly.
- (g) Planning which assesses the benefits of investment and revenue expenditure in the transport sector in terms of employment and wider economic benefits, and compares the return from additional expendi-

ture in that sector to alternative uses of funds for employment creation and inner city regeneration.

- (h) Planning which puts access to the system, safety, especially for women and the staff, and a level of service necessary to sustain commitment to public transport use in the forefront of planning criteria and recognises the importance of adequate staffing levels to achieve these aims.
- (i) Planning which develops transport need — need that is for access by the population to jobs, services and leisure activities — into a workable criterion for transport planning.
- (j) Planning which, in association with industrial and planning policies, seeks to maximise the effect of improved public transport access in developing economic activity in parts of inner London, while safeguarding a substantial part of the benefits for existing residents.

Proposals for action

1. The GLC will develop a strategy, including a property and industrial development input, for improving the speed and capacity of radial and inter-town centre public transport in order to encourage industrial and commercial development in those centres while retaining a large part of the benefits for existing residents.

2. The GLC will develop a dossier on the run down by British Rail of the London inner suburban services, and the poor service which they provide to the public, as a campaigning document for bringing these inner suburban services under the control of a London-wide elected authority.

3. The GLC will develop research on transport need in London, as a basis for setting clearer needs-related criteria for public transport service provision. It will undertake this in collaboration with users and transport workers in order to draw on their knowledge and develop new ways of researching and identifying transport need. The GLC will seek to identify projects which could assist in meeting these needs.

4. The GLC will develop research on the specific transport needs of Londoners belonging to ethnic minorities, with a view to incorporating these needs more effectively in future transport planning. It will undertake this in collaboration with ethnic minority communities in London.

5. The GLC will complete and make available in various forms including video the research currently underway on buswork and health, in collaboration with the TGWU. It will develop other work with transport unions on working conditions, their implications, and ways in which they could be improved.

6. The London Transport Technology Network at GLEB will be developed as a forum for the development of joint projects between unions and users of transport in the area of public transport. It should collaborate in this activity with campaigning organisations such as the Campaign to Improve London's Transport and CAPITAL, to develop links between project work and campaigning.

7. GLEB is investigating the possibilities of investing in projects designed to sustain transport engineering capacity in London. Such projects would include the design of more appropriate buses for London operation, and projects on more environmentally acceptable vehicles and components.

8. The GLC will develop and co-ordinate work underway on proposals to make public transport accessible for all Londoners. It will seek to make the Transport Technology Network a centre for development projects for more accessible transport.

9. The GLC will support trade unions in public transport opposing proposals for privatisation of services and activities in which they work. It will also develop, in collaboration with other progressive local authorities, a joint approach to privatisation in the area of buses, in advance of the government passing legislation based on The White Paper on buses.

10. The GLC will develop in collaboration with progressive local authorities a joint approach to public transport policy which gives greater weight than in the past to the development of the public transport industry and the use of public transport investment as a means of intervention in the urban economy.

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**Section Six:
LONDON'S
ECONOMIC
INFRASTRUCTURE**

**21.
Energy**

The increased price and reduced availability of fuel has had a major effect on the 'fuel poverty' of many Londoners. This situation can only get worse unless there is a radical shift in policy with the practical involvement of those at the rough end, the consumers.

Photo: North Paddington Community Darkroom.

[Image removed at request of London Metropolitan Archive as a condition of digital distribution.]

Energy

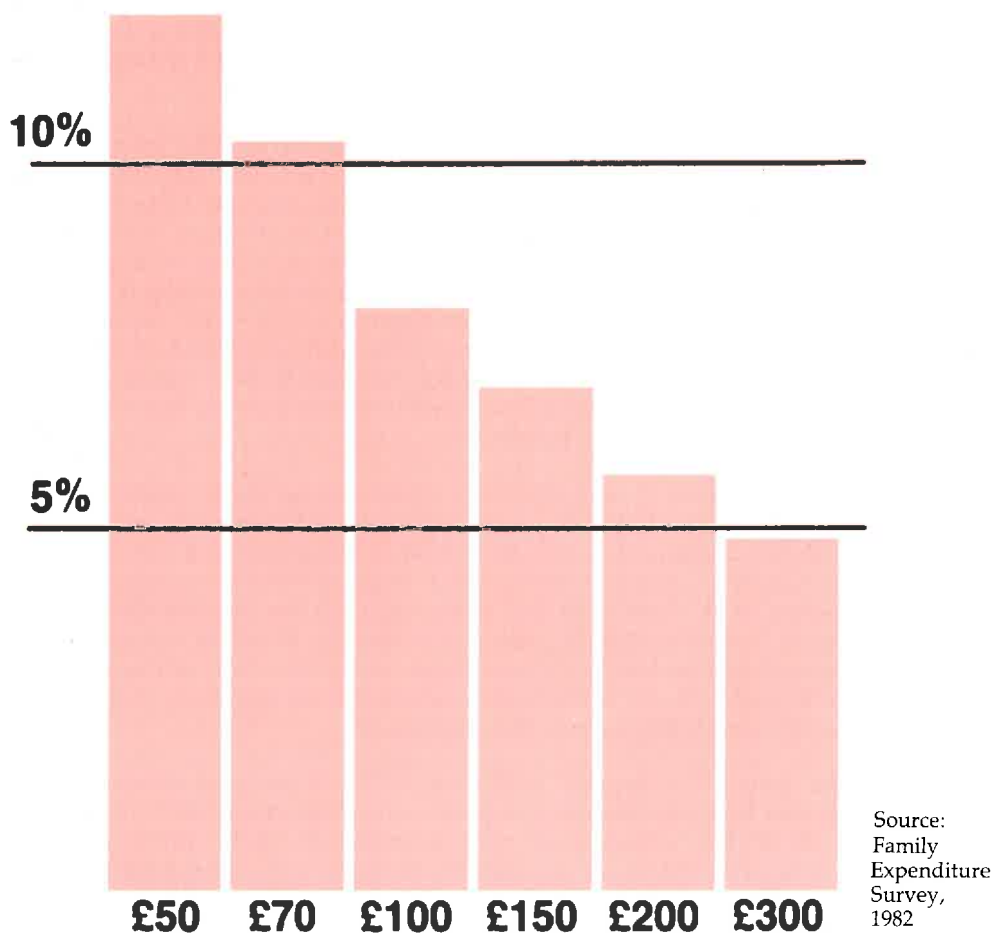
Summary

1. The GLC's work on energy has concentrated on the need for greater investment in the efficient use of energy in order to halt and reverse the spread of 'fuel poverty'. Fuel poverty arises from inadequate income, poorly insulated dwellings or expensive or inefficient heating, which cause households to go into debt or live in cold conditions. It is closely related to the nature of central government energy and economic policies and thus the situation is likely to deteriorate even further unless there is a radical shift in strategy.
2. The policies of the current government in the energy field are reviewed and their weaknesses exposed, especially the reliance on the market mechanism to bring about the efficient production and use of energy. The alternative strategy put forward in this chapter is directed towards the efficient satisfaction of energy needs at cheaper prices. It involves support for the development of combined heat and power for district heating (CHP/DH) and the far wider application of insulation measures. GLC research has shown that a programme of energy conservation could produce a rate of return over twice that estimated by the CEEB for Sizewell B. This would not only begin to deal with the problems associated with fuel poverty but also create useful work for thousands of Londoners.
3. The role of the GLC, and other councils, is of necessity constrained by increasing pressure on limited resources. However, the initiatives described in this chapter demonstrate that the Council has made and can make an important contribution to increasing public support for an alternative strategy in the energy field. Central to this work, through the London Energy and Employment Network (LEEN), the Local Energy Plans in Islington and Lewisham and the London CHP Consortium, is the view that such support can only be achieved with the active involvement of those currently at the rough end of energy problems, namely the consumers.
4. In the future the council will have to build on and develop these initiatives and take the necessary steps to ensure the energy efficiency of the housing stock for which it is still responsible. Both these and the development of CHP/DH on any significant scale will depend on effective lobbying by the GLC and other local councils for the release of more central government resources.

Introduction

21.01 Over the past decade the GLC's involvement with energy policy as a planning authority has broadened from a strategic interest in the environmental impact of major supply facilities, such as power stations, into a concern for the actual and potential effect of the increased price and reduced availability of fuels on Londoners and London's economy. Central to this concern is the fact that several studies in recent years have shown that an increasing number of households suffer from 'fuel poverty'. This is really two interrelated problems: first, there are households who, because of inadequate income, poorly

Figure 1. Proportion of weekly income spent on fuel, light and power



insulated dwellings or expensive or inefficient heating, spend a disproportionate amount of their budget on fuel and as a result they get into debt; and second, there are those, who may be the same households, who use too little fuel and live in cold conditions.

21.02 The spread of fuel poverty over the last few years is closely related to the pressure placed on the resources available to lower income households by Government policies on housing subsidies, welfare benefits, energy prices and overall macroeconomic strategy. The groups most severely affected are old age pensioners, the disabled, those in ill-health, the unemployed, ethnic minorities, families (often with a single parent) with pre-school children and other housebound people because they are more often at home throughout the working day and thus have to bear greater space heating costs. Women are generally more directly affected by high fuel bills, not only because they are often at home all day but also because they are more involved in balancing the household budget and caring for the elderly and the sick. In Greater London the situation is made worse by double the reliance on high cost peak period electricity for room heating than for England and Wales as a whole. One result of fuel poverty is the further spread of condensation problems and the accelerated decay of the housing stock. Both this and the sub-standard heating conditions give rise to health problems which can be so serious as to cause death and it is likely that about 150,000 old age pensioners are currently at risk from hypothermia in Greater London. Moreover, the way in which the housing allocation system works means that ethnic minorities have often become trapped in housing which is hard to let because of heating and dampness problems.

21.03 Unless there is a radical shift in current policies the expectation must be that the problems associated with fuel poverty will get worse. The UK economy is now a major exporter of energy, but this situation is likely to change dramatically over the next 25 years as reserves of North Sea oil and gas decline. Substantial changes in fuel use and increases in efficiency will be needed. These take a long time to initiate and demand a process of strategic planning if severe and unwanted social, environmental and economic effects are to be avoided. The GLC's view is that such a process should begin immediately and be influenced by industrial and economic decision-making to a far greater extent than at present. However, central government has not formulated a coherent and comprehensive energy policy, making it more difficult, but also more necessary, for metropolitan and local authorities to initiate such strategic planning themselves.

21.04 A central aspect of the GLC's work on energy is the view that national policy has been seriously imbalanced in favour of investment in energy supply as against energy use. This is not to deny that the relationship between supply and use is a complex one — for example, one of the energy options supported by the council, namely Combined Heat and Power for District Heating (CHP/DH), spans both supply and use. However, the present bias towards supply, sustained by institutional factors, pressure from private interests and the political considerations which underpin current public investment

decisions, is both marked and damaging. One result of this is that there are major opportunities for highly cost-effective investment in energy conservation and more efficient use of fuel in all sectors of the London economy which have not been taken up.

21.05 Redressing this imbalance would not only start to deal with the problems associated with fuel poverty but would also create useful work for thousands of Londoners at a time when the lack of employment opportunities is both a serious and increasing problem. In contrast, failure to make investment in the efficient use of energy in the short-term will not only mean losing these potential employment gains but also render vulnerable some existing jobs (as efficiency in energy use declines) and retard the growth of new industries (as such investments proceed in other countries).

21.06 GLC policy is directed towards the efficient satisfaction of energy needs at cheaper prices, whilst recognising that this is best brought about by the active involvement of those currently at the rough end of the energy supply industry, namely the consumers and particularly those suffering from fuel poverty. Such groups have the most to gain from the GLC's policies. How much they will benefit is difficult to assess in numerical terms because the precise extent of fuel poverty is unknown. As was noted above, faced with high fuel costs and low incomes, one response is to economise — that is, to do without heating even where it is urgently needed. The alternative is either to get by without other necessities or to go into debt. The latter runs the risk of disconnection.

21.07 Disconnections have been a very real risk despite a code of practice that is designed to limit them. For electricity, the number of disconnections in London grew from 5,000 in 1977 to 38,000 in 1980. This reflects a variety of factors, such as the numbers of those going into debt as well as the stringency with which disconnection is pursued. By 1980 the LEB had a disconnection rate nearly five times the average for the rest of England and Wales. More generally, more than nine out of ten disconnections appear to have been made in cases defined by the industry's own code of practice as ones of a *severe* hardship problem — those on low income or dependent on social security benefits, those suffering from recent or long-term ill-health or those with children under eleven. Children under eleven have been involved in over half of all disconnections.

21.08 Old age pensioners have not been so heavily subject to disconnections as might be expected from their low levels of income. Far from this reflecting leniency on the part of the authorities, it appears that pensioners carefully avoid getting themselves into fuel debt. Presumably, this is a result of low energy consumption, the wish to avoid the stigma and hardship of disconnection and, possibly, help with the payment of bills from relatives or from the social services. Whatever the reasons, it suggests that disconnections themselves are only the tip of the iceberg of fuel poverty. Neither pensioners nor other disadvantaged members of society should face the stark choice of fuel deprivation, debt or lack of other necessities.

21.09 The GLC's role in promoting greater investment in the efficient use of energy is necessarily constrained by the large number of calls on its limited resources and, to a lesser extent, its statutory duties. Therefore, the intention here is not to provide an overall strategic energy plan for London outside the domestic sector. Rather, the aim is to demonstrate how the Council itself and the GLEB have been able to make a significant contribution to the efficient use of energy in London, principally in the domestic sector, by building on existing initiatives and developing new ones in co-operation with community and trade union groups, the London boroughs and other authorities and organisations.

Energy use in London

The domestic sector

21.10 London's 2.8 million household dwellings are, by a significant margin, the capital's largest energy-consuming sector, accounting in the late 1970s for 35% of the delivered fuel, 40% of electricity consumption and most of the peak electricity load and hence demand for power station capacity.

21.11 In terms of fuel usage, there has been a massive decline in solid fuels, a slow growth in electricity up to 1973 (since then there has been a slight fall) and a rapid rise in gas consumption. These switches between fuel types together with improved heating efficiencies have held down the growth of energy consumption, although comfort standards have risen.

21.12 The Greater London housing stock is even older than the national one, two-thirds of it having been built before 1939 and over one-third before 1919. Partly due to this and partly to the large number of system-built estates erected during the 1960s and 1970s, about 70% of the stock is of solid-wall construction and virtually none is insulated although heat loss through them is at over three times the rate of that through walls of new homes. Most of the remainder are of cavity wall construction and in 1979 about 75% of these were uninsulated (a smaller proportion than nationally, where 90% were uninsulated).

21.13 The uninsulated roofs of dwellings constructed before the establishment of minimum insulation standards commonly lose heat at five to seven times the rate for newly-built homes which are better insulated. In London about three-quarters of the housing stock have pitched roofs and over half of these were still uninsulated in 1979, whilst over 90% are estimated to possess less than 80mm of insulation, well below the current standard for new homes and the level which is cost-effective.

21.14 Very little is known about the airtightness or extent of draught-stripping within the existing housing stock, and especially in relation to the pre-1939 solid-walled stock that predominates in Greater London. This is despite the fact that a sixth to a half of the heat losses of most dwellings are

accounted for by ventilation heat losses. Such figures as there are suggest a very low level of airtightness in most of the existing Greater London pre-war housing stock.

21.15 Therefore, it seems that very little of the cost-effective potential for retrofitting loft insulation, wall insulation and draught-stripping to the existing Greater London housing stock has been taken up. As a consequence, this stock uses energy for space heating, which accounts for three-fifths of energy consumed in the domestic sector, very uneconomically. The results of this inefficiency in use and the escalating prices of the fuels for the social problems of fuel poverty and deteriorating comfort standards are becoming severe.

21.16 In this context, the GLC presented to the Sizewell Inquiry a programme illustrative of the practicable medium-term opportunity for increased public sector domestic energy conservation in Greater London. The investments assumed to be encouraged were: the addition of 100mm of loft insulation to all lofts with less than 80mm; the insulation of all cavity walls; the insulation of all the external solid walls of rooms suffering, or in risk of suffering, condensation or mould growth problems; and the draught-stripping of leaky doors, windows and loft hatches. Given the necessary capital resources it is estimated that Greater London's local authorities and housing associations could fit about 562,000 of their existing dwellings with these conservation measures between 1985 and 1995. The total cost of this programme would be £921 million over a 20 year period, an average of £678 per dwelling improved. The rate of return would be about 20% or over twice that estimated, even by the CEEB, for Sizewell B. The average annual reduction in the fuel bills for a dwelling improved under the programme would be over £132 or about 25% of what would have been the annual fuel bill. There would also be a significant increase of the 24-hour whole dwelling temperature for a given level of space heating input, thus having a major impact on the maintenance and improvement of comfort standards and in averting the long term exacerbation of fuel poverty. Such a programme would support about 5,000 jobs nationally during the late 1980s and early 1990s and a further 3,000 in Greater London; and about 1,000 nationally and 700 in Greater London for the decade after 1995.

21.17 Clearly, in the light of cutbacks in the Rate Support Grant and Housing Investment Programme funding over the last few years and the threat of rate-capping, neither the GLC nor other local councils have the resources to implement these measures on such a scale. However, even in the current unpromising circumstances there are many things that the GLC and other local councils have done and can do in order to promote the efficient production and use of energy. These are outlined below.

The commercial and institutional sector

21.18 The commercial sector is of outstanding importance in London, accounting for a far greater proportion of economic activity and energy use

than the national average. Clearly, any overall energy strategy for the capital would have to involve proposals for this sector beyond what the GLC is currently able to implement, and certainly beyond current government strategy, which is undeveloped even when judged against the inadequate yardstick of their approach to the heating of houses. Oil has remained the major energy source for commercial and institutional users (47% of total fuel usage in 1978), with relatively large consumers such as hospitals and modern office blocks in central London being substantially dependent on it. Significant progress towards the more efficient use of energy has mostly been confined to large private sector organisations and to public sector bodies which have been able to encourage efficiency in so much as this has not meant substantial calls on reduced capital budgets. Further scope for considerable energy and cost savings with high rates of return remain but it seems that realising this potential will require investing significant capital resources and hence involve a fundamental shift in government policy.

The industrial sector

21.19 The industrial sector in London accounts for a smaller proportion of total energy use than for the UK as a whole, both because of the relatively greater size of the commercial sector and also because energy-intensive industries are under-represented within London manufacturing. Most of the saving in energy use that can be achieved by 'good housekeeping' has probably now been achieved and, as in the commercial sector, further progress will be dependent on investment in plant and equipment. A shortage of capital, other overriding priorities, high interest rates and uncertain prospects of survival during the current recession have all played a part in discouraging manufacturing investment in increased energy efficiency, even when high rates of return (up to 50%) and very short payback periods can be confidently predicted. When this situation is compared with the 5% real rate of return required of new investment in supply by nationalised industry, the current national imbalance between investment in supply and investment in conservation is placed into perspective.

What the GLC is doing

The London Energy and Employment Network

21.20 The GLC, through GLEB, has backed the establishment of the London Energy and Employment Network (LEEN) as one of the five technology networks it is sponsoring. This Network was set up to promote joint activity on the part of local energy groups (discussed below), consumer groups, trade unions and trades councils, local business interests and authorities, co-

operatives and professional interests in the field of energy efficiency. Its main function is to create and extend employment through the development of new energy-related technologies, products and services.

21.21 Since LEEN was set up it has become apparent that the important issue it needs to focus on is how to identify and overcome, in a practical way, the financial, political and institutional barriers to energy conservation. The problem is not so much how to develop new products — there are already hundreds of manufacturers and thousands of products available in the energy field, from draught-stripping materials through to energy-efficient boilers. Rather, the problem is how to encourage and assist consumers — such as industry, local authorities, commercial firms, voluntary organisations and householders — to make use of these products and thus reduce their fuel bills whilst improving living and working conditions. Work on selected new products will continue, focusing increasingly on ways of amending existing products to make them cheaper and more accessible to consumers, and on developing ideas that would be useful in the Third World.

21.22 LEEN has now developed a strategy for six main areas of work over the next year, and employed a number of staff to carry it out. Independent organisations are also funded by LEEN to undertake associated projects.

The six main areas of work are:

- (a) Advice and information on energy conservation, through a technical advice service for tenants' associations, including computer energy audits, solving district heating problems and offering courses on energy issues for local authority staff and tenants.
- (b) Community-based energy projects, through supporting and expanding the London Federation of Energy Co-ops, helping to set up and support local energy conservation groups and setting up local energy enterprises.
- (c) Energy conservation in offices and factories, through carrying out energy audits, providing 'pay as you save' financial systems and a workforce to save energy in the commercial and industrial sector.
- (d) Financing energy conservation, through setting up the Tenants Heating and Insulation Service (THIS) to provide ten year loans for tenants wanting to invest in energy conservation and negotiating with building societies to extend mortgages to finance energy conservation.
- (e) Development of Energy Conservation Areas in London, through work with local authorities to produce co-ordinated energy conservation policies while carrying out practical energy conservation work;
- (f) New products to save energy, through making available a fully equipped workshop for the development of new products for energy efficiency.

Local Energy Plans

21.23 The GLC's view is that to redress the balance between the supply and use of energy, the active involvement of users is essential. Otherwise centralised hierarchical and bureaucratic practices will merely be restored in another form. For this reason, the GLC has encouraged the development of Local Energy Plans, which are new community-based initiatives focusing directly on the needs of householders and workers. The Plans aim to overcome the problems of inadequate or expensive heating, fuel poverty, hypothermia and poorly insulated homes and to provide jobs in a co-ordinated way.

21.24 Local energy plans depend for their success upon the participation and co-operation of a number of different groups and organisations who use energy, supply energy or plan our future use of energy — householders as consumers and in tenants associations campaigning to improve living conditions; local authority staff such as housing officers, architects, heating engineers and social service staff; workers with relevant skills, in particular building workers; local councillors; Electricity and Gas Boards; 'fuel poverty' groups and pensioners action groups; staff in the Department of Health and Social Security responsible for providing heating benefits to low income people. An essential part of the development of a Local Energy Plan is the process of involving these people in working out a strategy for what can be done with existing resources, how to increase the money coming into the area for investment in energy conservation and how to obtain financial help for people faced with massive heating bills.

21.25 For many years tenants associations throughout London have been campaigning around heating problems, but there has been little long-term co-ordination between these groups, either on a borough or London-wide basis. Also, because heating campaigns are often mounted in opposition to the policies and practices of local authorities as landlords, opportunities for working with councillors and council staff to tackle the problems in a collective way have been rare.

21.26 During 1982, the GLC initiated a series of meetings between Islington councillors, representatives from DLOs, the Trades Council, workers from the Thornhill Neighbourhood Project and the North London Technology Network. In Lewisham, discussions between the Lewisham Energy Centre (a co-op carrying out insulation and draught-proofing work in council housing), Right to Fuel and Pensioners Link, led to the idea of developing a Local Energy Plan for Lewisham. The GLC provided funding for two Energy Plan workers in Islington and two in Lewisham.

21.27 In each borough the Energy Plan workers have concentrated on developing an energy strategy for the council's own housing stock, rather than looking at energy conservation in industrial, commercial and public buildings. There were several reasons for this concentration on council housing. First, there were already strong tenants' organisations in both boroughs with whom the Energy Plan workers could liaise, and who would be able to take action

around the policy changes proposed. Second, in both boroughs there have been serious problems with heating in council housing. Third, because they have a direct responsibility for council housing (which is not so for many other buildings in the area), the councils could act upon the proposals coming out of the Energy Plan to the benefit of their tenants. Fourth, it was felt essential not to spread the resources of the Energy Plan workers too thinly.

21.28 Whilst there is no 'blueprint' for what an Energy Plan should look like, certain approaches have been shared by Islington and Lewisham. Both are attempting to make the local authority look at certain common issues — such as inefficient and high cost heating systems, fuel poverty, district heating problems, the design of energy efficient housing and policies for investment in repairs and improvements to heating in a strategic, borough-wide way. It is recognised that these could take a number of years to come to fruition. There also proved to be measures that each local authority could be pressed to carry out in the short-term. The Energy Plan workers provide both a technical and an organisational resource to the local tenants organisations which are campaigning for urgent measures such as draught-proofing and insulation, repairs to district heating boilers, and increased social security benefits by the declaration of some estates as 'hard to heat' (on which, see below).

21.29 In any borough the starting point for building up a longer term Energy Plan is likely to be work on individual estates with heating problems and fuel poverty. In Islington, for example, the starting point for local campaigning has been the problem of high charges for inefficient district heating on a number of estates. The main task continues to be how to generalise from this and develop campaigns for council policy changes for estates where there is no central heating and no council programme for improvement work. In Lewisham, the Energy Plan workers have helped tenants carry out heating surveys on individual estates. This has allowed FELTRA, the tenants federation, to focus on the heating problems across the borough, and to start discussing the idea of drawing up, and campaigning around, a charter of demands by tenants on heating.

21.30 The local authority itself can call on the technical knowledge and expertise of the Energy Plan workers (and through them on other organisations such as LEEN) to cut across traditional departmental responsibilities which tend to deal with heating problems in a piecemeal fashion. This can highlight the need to improve links between council officers dealing with problems of welfare rights (including people's need for extra heating allowances) and technical officers responsible for designing new housing or modernisation schemes. Although local government is heavily constrained by expenditure restrictions, it is all too easy, but unacceptable, for it to hide behind this as an excuse for doing nothing — shielded by an administrative bureaucracy. Councillors faced with complaints about heating or fuel bill problems from individual constituents can be provided with the expertise and resources to help them develop proposals for a more comprehensive approach to the problem, involving an input from several different departments and council committees. Because the Energy Plan workers are working closely with tenants

organisations, they have a strong base from which to make such proposals.

21.31 In Lewisham, for example, the council asked the Energy Plan workers to carry out a technical investigation into 'hard to heat' estates, i.e. estates which are difficult or expensive to heat, by doing pilot 'energy audits' on several estates. This was to find out how the local authority could use energy audits as a way of getting estates declared 'hard to heat' by the Department of Health and Social Security, thus enabling tenants on Supplementary Benefit to receive more DHSS money for heating bills. But the study went further than this by working out the cost effectiveness of various remedial measures (such as insulation and the installation of gas central heating) which the local authority could carry out on behalf of *all* tenants on the estate. So now the tenants and the council have more technical and other information on which to base their campaigns and policies.

21.32 Local Energy Plans show up the possibilities for creating socially useful employment from energy conservation. So, whilst part of the brief for Local Energy Plans is to look at how *existing* resources can be used more effectively to meet local needs, another important element is looking at what *could* be done at a local borough level, planning for jobs and needs from the group up, if only national priorities were changed and investment in energy conservation were increased.

21.33 In the short term, developing a coherent local energy conservation strategy helps to sharpen the arguments for defending existing jobs and services against the cuts threatened by ratecapping, for example. For this reason local government trade unionists have an immediate interest in supporting an energy plan linking urgent local needs to council policy and investment. Building workers in local authority DLOs are also engaged in defending their jobs, not only from cuts in the Housing Investment Programme, but also from the effects of the Local Government Planning and Land Act. This Act, with its emphasis on competitive tendering, profit-making and increasing productivity, has now made DLO management reluctant to take on new areas of work such as insulation where, initially at least, training would be needed and immediate commercial returns would be lower. However, by involving DLO workers in discussions about the Local Energy Plans and the building work that would result from implementation of the Plan in both the short and longer term, it is possible to strengthen the workforce's arguments for defending jobs by, for example, developing and training specialised DLO teams to carry out insulation and draught-proofing work. At the moment, the majority of this work is done by private contractors. As many reports have shown, private contractors often have a poor record in terms of pay and conditions of employment such as health and safety on site. In some areas, co-ops are now doing insulation and draught-proofing work. As the amount of that work grows as a result of local heating campaigns and the Local Energy Plan work, it becomes increasingly necessary to co-ordinate the relationship between the DLO and local insulation co-ops, so that they are able to strengthen the quality of work and output rather than competing with each other.

Combined Heat and Power for District Heating

21.34 The GLC has for some time advocated the development of Combined Heat and Power for District Heating (CHP/DH) within London and welcomed the fact that areas of central and inner London were included in the feasibility study conducted for the Department of Energy by W. S. Atkins and Partners.

21.35 A modern power station only converts about one-third of the energy content of its fuel into electricity, whilst the remaining two-thirds is rejected in the form of lukewarm water to cooling towers and rivers or lost in flue gases. However, by altering the design and mode of operation of the station to CHP production it is possible to generate electricity and provide heat at a sufficiently high temperature for space heating and hot water requirements of domestic, commercial and industrial users and public buildings. With CHP more than double the proportion of the fuel is usefully consumed compared to an electricity-only plant. Therefore, it is clear that the development of CHP could provide one of the most significant sources of energy for London and particularly a source of cheap heat for those suffering from or threatened by 'fuel poverty'.

21.36 Britain is at the bottom of the European league as regards CHP/DH. A number of East European countries together with Sweden, Finland, Denmark, Italy and Austria have major city heating systems that have been developed over the last 30 years, whilst major expansions are planned in West Germany and Holland. Britain has no CHP/DH schemes and until recently the Pimlico heat-only scheme, served by small turbines sited alongside the now decommissioned Battersea power station, was the only one that was even broadly comparable. From the mid 1960s onwards district heating schemes, fed from central boiler plant producing heat only, were installed in many local authority housing estates especially in London. This was encouraged by the availability of relatively cheap bulk supply contracts for oil and gas and the nature of Department of Environment loan sanction regulations. Over the last few years few schemes have been installed as relative fuel price and tariff changes have favoured individual central heating, and poor design, installation and maintenance in many existing schemes have contributed to their declining popularity with tenants. Such unpopularity is a hurdle that CHP/DH must overcome if it is to develop. In part, this will be achieved by stressing the crucial differences between CHP/DH and heat-only district heating schemes; in part, it will be done by stressing that where the correct technical and other choices and the necessary investment are made, as in parts of Southwark, the bulk supply of heat has been demonstrated to be technically reliable and economically attractive; and in part, it rests on emphasising that as North Sea reserves of natural gas are depleted the individual heating option will become increasingly expensive.

21.37 The Atkins report showed that the Southwark and Tower Hamlets areas of London possess a number of considerable advantages as sites for CHP development. About 80% of the housing stock is in local authority ownership, almost double that for any of the other English 'lead cities', whilst 14% of the

stock is already connected to existing group heating schemes, nearly five times as much as elsewhere. These factors, in conjunction with the existence of numerous large commercial, institutional and industrial heat users close to these group heating schemes, the presence of a unique concentration of heat demands in the cities of London and Westminster adjacent to Southwark and Tower Hamlets, and the fact that London's current average heating costs are higher than the other English 'lead cities', means that the London scheme recommended by Atkins had a more rapid, extensive and assured market penetration than elsewhere. Due also to the fact that the London scheme had the lowest capital cost per unit of output this, in turn, meant that London was shown to have the highest financial rate of return of all the English cities. Therefore, one of Atkins' recommendations was that 'if only a limited issue of prospectus is desirable, the city in each electricity supply industry area which has the best returns overall, as indicated by both full and marginal cost analyses, namely Belfast, London and Edinburgh, should be invited initially.'

21.38 During the period in which the Government was considering their response to the Atkins report (and later the House of Commons Select Committee on Energy's report on CHP), the London local authorities committed to the development of CHP/DH have commissioned further studies in order to take forward the case for its application in the capital. Southwark Council investigated the feasibility of interconnecting some of its existing district schemes and concluded that joining up the 15 largest would be technically feasible and economically viable measured against public sector investment criteria. Southwark also commissioned a study of the disruption which would be caused by the development of CHP/DH in the Borough, which concluded that this 'will not present an obstacle to the development of CHP/DH in Southwark.' Finally, the GLC looked at a scheme which was three times as large as that put forward by Atkins and capable of serving much of inner London. This was shown to be simultaneously able to generate electricity as cheap as the CEB's best alternative, satisfy the criteria regarding the rate of return on public sector investment and, most crucially, produce heat at 20% below the price of the cheapest alternative source.

21.39 On 5 April 1984 Peter Walker, the Secretary of State for Energy, announced, in response to the Atkins report, that the government wished to encourage the formation of local consortia of private and public sector interests in order to undertake the next stage of CHP development. A grant of up to £250,000 would be made available for up to three of the nine 'lead cities', preferably one each in England, Scotland and Northern Ireland, in order to prepare prospectuses for the construction of CHP schemes.

21.40 The GLC, Southwark and Tower Hamlets Councils, together with a number of private sector companies, formed a consortium in line with the government's intentions. With the support of the British Gas Corporation, the electricity supply industry and the National Coal Board a proposal was submitted to the Department of Energy which, it was hoped, would have secured grant aid for the preparation of a prospectus for a London CHP

scheme. In the event, the government did not choose this proposal and allocated grants of £250,000 each to Edinburgh, Belfast and Leicester.

21.41 However, although the GLC is actively co-operating with the government's approach on CHP it nevertheless sees it as having a number of critical weaknesses indicative of those of current energy policy in general. The principal element of the government's policy on CHP is that the private sector must play the leading role and that any development must be financially attractive to the private sector at all times. This is consistent with its overall energy policy and with the intention to privatise sections of the large nationalised energy utilities. What it fails to recognise is that the sheer scale of the investment involved, the uncertainty and hence risks associated with the development of a new energy supply system and the important public interests at stake, especially in relation to the provision of adequate supplies of cheap heat, mean that if the potential for the growth of CHP is to be realised determined central government action and substantial public sector financial commitment is required, similar to that provided in other European countries. The government is clearly not providing either of these and the resources allocated to CHP are insignificant when set against those devoted, for example, to nuclear power. Indeed, the £750,000 allocated to grants for CHP prospectus preparation are nowhere near adequate for even that task. The danger must be that current policy will lead to 'ghetto' CHP schemes as the most financially attractive opportunities are 'creamed off' by the private sector, leaving the potential benefits of cheaper heat for many Londoners and substantial employment gains largely unrealised. Thus, whilst the Council has sought grant aid from the government it will continue to press for changes in national energy policy as outlined in the evidence presented to the Sizewell Inquiry.

21.42 Nor is the GLC's attitude simply a negative oppositional one towards central government policy. There are advantages of the CHP/DH schemes which go far beyond the direct economic benefits alone. As a form of social provision and use of energy, the GLC considers that CHP/DH has three further distinct advantages. First, it will open up the prospect of providing heating as a public service like water supply, for example. As such, the removal of the ability to pay as the criterion of whether individuals are to be warm or not will eradicate the problems of fuel poverty and provide for those on low income.

21.43 Second, CHP/DH will involve and encourage a co-ordinated plan for buildings and construction, both for infrastructure and for housing. As is clear from the discussion of the construction sector, the GLC welcomes and considers developments of this kind an urgent necessity. Third, and related to the second point, the introduction of CHP/DH can be viewed as the first step in setting up the organisations and processes essential for a more extensive planning and co-ordination of social and environmental needs, to which the GLC is well-suited to contribute. Of course, it is precisely considerations such as these that are liable to stiffen the current government's resistance to the rational and economic progress of CHP/DH.

National Energy Policy

21.44 At a number of points in the discussion the inadequacies of the current government's policy and the ways in which these constrain what the GLC and other councils can do in the field of energy has been stressed. Indeed, the present government has even gone so far as to claim it as a virtue that it does not possess a co-ordinated and coherent national energy policy. The nationalised industries are treated as separate, commercial enterprises even to the extent of their undertaking competitive advertising against each other. Another example is provided by the uneasy relationship between the CEBG and the NCB. Whilst as much as 80% of UK coal is burnt to generate electricity and 80% of electricity is generated by coal, the two industries are placed in competitive conflict with each other rather than a plan being drawn up to co-ordinate their activities.

21.45 The division between fuels has also been reproduced in the organisations that might otherwise have been able to make a more balanced approach to energy supply. The Consumer Councils (for gas and electricity) have tended to be confined to concern with provision solely within their own sphere of interest. Similarly, trade unions have been keen to promote the interests of their members within the sectors in which they are involved so that the labour movement as a whole has been unable to formulate and campaign effectively for a commonly agreed policy.

21.46 The result has been that the nationalised industries, in energy and more generally, have lost their way from the original path and objectives that spawned their creation. Far from standing on the 'commanding heights' of the economy, a core of planned industries from which others could be co-ordinated and prosper, the nationalised industries have been limited by restrictions on their range of activities, including their pricing, finance and investment policies which have increasingly been oriented towards commercial criteria of operation. This has led to the situation in which the industries are vulnerable to the threat of denationalisation. This reflects a more general development in which powerful vested interests, particularly those of private capital, have been able to exert their influence. Nowhere is this more evident than in the relationship between the electricity supply and nuclear industries now pressing for a PWR at Sizewell, not only out of the need for another (unnecessary) contract, but also to gain first-hand experience of building the only reactor even remotely likely to be ordered on the heavily-depressed world market.

21.47 It is unfortunate that what must be considered past faults of structure, planning and co-ordination are positively welcomed by the present government as virtues. Its energy policy is firmly based on the principle of 'economic pricing' according to which market prices are the single most effective mechanism for bringing about the efficient supply and use of energy. In chapter 22 on Construction, some of the absurd assumptions on which this economic theory rests have been exposed — that the economy is in full

employment, for example. This, of course, reflects the government's general belief in the efficiency of the market as a mechanism for allocating resources. In relation to the energy sector, there are four broad reasons why this is not the case and why intervention by the state is necessary. First, as was pointed out in relation to the development of CHP/DH, investment in the provision and use of energy generally requires large amounts of capital, involves long lead times and needs to be informed by a process of strategic planning. The market is at its weakest in such circumstances because prices are not always able to signal the need for such changes in sufficient time. Second, imperfections will always exist in the market which prevent it from generating the optimal result — for example, the existing leasing structure in the property market acts as a barrier to the implementation of insulation measures. Third, the pricing of energy resources has considerable social implications which may seriously conflict with purely market criteria — thus, the spiralling of fuel bills in recent years, as a result of the application of the principle of 'economic pricing', has further increased the problems of fuel poverty. Finally, in any case there is a vast difference between the government's rhetoric and its actions, which lead to a selective use of market criteria. Therefore, there are no calls for the closure of 'uneconomic' nuclear power stations, just coal mines; and no-one is suggesting that Sizewell B should be financed by a private sector consortium like CHP.

21.48 This is all buttressed by the ideological message adopted by the government, which it parades as supporting both efficiency and the freedom of the individual, that it 'does not seek to take to itself the decisions of millions of consumers' by promoting a more direct stimulus to energy conservation, as the Department of Energy said to the Sizewell Inquiry. This is notwithstanding the fact that the thrust of its economic policies is to cut back the resources available to those authorities able to implement conservation measures on behalf of those people most in need of them. In practice, higher fuel prices in many cases lead only to a reduction in fuel consumption rather than to an increase in the efficiency with which it is used. Forcing people to economise by using less fuel than they actually need for health and comfort simply aggravates fuel poverty. Also, higher fuel prices make it more difficult for private owners to finance the necessary investment in energy conservation and mask the subsequent benefits because fuel bills do not actually go down. The benefits of insulation in property outlast by far the likely length of individual occupation, certainly with households moving once every eight years on average. They are more likely to be concerned with whether there is central heating or not rather than with the degree of safeguards against poor insulation and ventilation. Furthermore, imperfections in the operation of the property market mean that the value of buildings do not accurately reflect good insulation standards. This, together with the existing leasing structure in the rented sector, create significant barriers to investment in the efficient use of energy and emphasise the need for a more interventionist policy stance. Little change can be expected from current policy confined in practice to the provision of information. On a wider level, government decision-making on energy is dominated by the highly-centralised nationalised supply industries supported by well-organised private sector interests, especially in relation to the nuclear industry. By contrast, the various

elements of the conservation industry and those supporting such technologies as CHP/DH are weakly-organised and have little political or economic influence. Often it is just a question of individual users trying to keep their fuel bills down in difficult circumstances. This is the reality behind the free hand of the market mechanism.

21.49 Many reports (such as that of the 1982 House of Commons Select Committee on Energy), whether international or national, public or private, have deplored the lack of investment and research into conservation measures in the UK. By contrast, in some other EEC countries more comprehensive and apparently more successful policies have been pursued. West Germany and France in particular have evolved forward strategies for the rational use of energy involving very substantial public sector-led increases in investment with the expectation of very considerable employment gains, a factor that is considered irrelevant within the confines of monetarism. In addition industrial energy conservation is being pursued on a large scale in such countries as Japan and Sweden. With a similar concentration on energy-intensive sectors, though with a far smaller industrial output, Sweden currently spends over two and a half times as much as Britain does on industrial energy conservation — 20 times more per head. Japan spends eight times as much as the UK. Despite this uniformity of opinion and evidence, the present government has even eliminated a number of elements of the substantial energy conservation programme inherited from the previous administration and described in 1982 by the House of Commons Select Committee on Energy as having been 'a good "stage one" programme'.

Conclusions

21.50 The main theme of this chapter has been the need for greater investment in the efficient use of energy in order to halt and reverse the spread of fuel poverty. However, the implementation of an energy conservation programme and a CHP/DH scheme on anything like the scale necessary and argued for by the GLC at the Sizewell Inquiry requires a radical shift in government policy. For this to occur there will have to be widespread public support and this will only grow if people are convinced of the benefits of such a shift.

21.51 The work described above demonstrates that the GLC and other councils can make a significant contribution to increasing public support for an alternative strategy in the energy field. It also suggests certain ways in which policies need to be developed in order to carry out this task effectively.

21.52 First and foremost, it means having a real commitment to listening to the experiences and needs of consumers as well as having a grand strategic overview. This, in turn, means confronting the immediate problems facing consumers and finding solutions to them, as a way of linking up the 'here and now' with long term plans. Doing this will often require putting pressure on

central government to release resources. These will be needed, for example, to invest in improvements to existing district heating schemes which will not only meet the short term needs of tenants but also lay the groundwork for future CHP/DH schemes. Government resources will also be needed to finance the inclusion of insulation work in the GLC's package improvement scheme so that the Council is seen to support conservation in practice as well as in principle.

21.53 At a general level all of this will require a training of staff and a translation of this alternative energy strategy into a change of officer attitudes 'on the ground'. Energy conservation measures and good heating have to be seen as a tenant's right rather than the provision of adequate heating being a 'problem' to be dealt with or avoided.

21.54 Secondly, whilst technology and its development is essential for energy efficiency it must always be closely tied in with real needs. Too often technicians, engineers and architects carry on a sterile debate about how to develop technology quite unrelated to any economic, social and political context. The experience of LEEN has shown that it is not new energy technology or products that are the first priority but the application of existing ones and their cheaper availability. The central issue is how to overcome the institutional, financial and political barriers to the use of the existing technology whilst simultaneously avoiding merely imposing changes from the top down.

Proposals for action

1. Given the large-scale of the GLC's continuing responsibility for modernisation, repairs and improvement of the GLC housing stock transferred to the boroughs, the GLC will:

- (a) include high standards of insulation and draught-proofing as part of any work, such as package improvements, to inter-war housing;
 - (b) continue to carry out, and publicise the results of, pilot schemes to improve energy efficiency in ex-GLC housing of all ages and types;
 - (c) ensure that, in consultation with the boroughs, all capital works to ex-GLC housing include energy efficiency measures as part of the standard brief, and that the issues of tenant control over heating and the running costs to the tenant are seen as crucial factors in the choice of heating systems for that housing.
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2. The GLC will join with other London Borough Councils in lobbying central government for investment in the efficient use of energy both in London's housing stock and public sector buildings.

3. The GLC, in co-operation with the London Energy and Employment Network (LEEN) will provide training and technical expertise to the boroughs to assist them in developing a coordinated approach to energy conservation in their areas, both in terms of short and longer term measures for reducing fuel poverty and improving heating standards for domestic consumers.

4. The GLC will provide resources and funding to LEEN (through GLEB) and to other independent energy projects to enable them to work with tenants' groups, trade unionists, fuel poverty groups etc in formulating local energy plans, providing energy advice and information to consumers, and campaigning for changes in local authority and government policies on energy conservation. A number of such projects already exist and with increased resources the important work they are doing could be expanded to cover every London borough.

5. The Council will promote the development of specialised local workforces to carry out insulation, both within existing Direct Labour Organisations and as co-operatives. Insulation work provides a good opportunity for the employment and training of women in manual trades.

6. The GLC will use its powers and resources to promote and support the development of Combined Heat and Power/District Heating schemes in London, under public control. This will include:

- (a) continuing to play a major role in the consortium to develop a CHP/DH scheme initially serving Southwark and Tower Hamlets and encouraging other London boroughs to join this process and promote CHP schemes in their areas;
- (b) ensuring public consultation and involvement by potential consumers in the development of CHP/DH schemes;
- (c) campaigning with other local councils and interested groups for a more substantial commitment from central Government to the development of CHP/DH;
- (d) using the GLDP and other planning powers to safeguard land for CHP/DH, and influencing the design of new public buildings (such

as schools and hospitals) to ensure that opportunities for CHP/DH plants are incorporated where appropriate;

- (e) providing research and resources to assist the development of small scale CHP/DH plants to service existing buildings.
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