THE PEAK IN ROAD PASSENGER TRANSPORT

A Comment

By Desmond P. C. Fletcher

The publication in the January issue of this Journal (pages 77–84) of the results of Mr. W. J. Tyson's study of "The Peak in Road Passenger Transport" prompts me to offer a few observations on a subject which is increasingly becoming a point of discussion among public transport operators. The value of Mr. Tyson's study and of the work of others in the same field is the endeavour to introduce an element of factual data and analysis into what had previously been governed primarily by surmise and speculation.

There have, of course, always been peaks in one form or another in public transport. Indeed this is true in the majority of businesses, the special problem of public transport being akin to that of electricity in that its supply cannot be conserved. It is, however, only in the last twenty years, since the majority of workers have come on to a five-day week of shorter hours, that the particular problem of the "to and from work" peak has become significant. A further distraction from optimal fleet utilisation has, of course, been the constant downward trend in off-peak travel by public transport.

There are four prime constituents of the problem of the "to and from work" peak:

—duration as a proportion of total weekly output hours;
— the extent of "peaking" within the peak;
— the ratio of peak to off-peak demand;
— the manner in which an undertaking responds to the demands of the peak.

It is the first three of these factors which determine the extent of the problem. As Mr. Tyson recognises, this varies with each undertaking. In the undertaking subject to analysis it is noted that the ratio of peak to off-peak operation was of the order of 150:70, giving a peak output more than twice that of the off-peaks.

In my view, Mr. Tyson is correct in having regard to costs in relation to revenues rather than taking costs in isolation. These factors are, however, considered only in regard to the additional vehicles required for the peak. Surely in arriving at any pricing policy based on cost one should take account of the overall position at these times of the day. There is no suggestion that one should endeavour to achieve the impossible by seeking to apply higher charges only to those passengers who happen to ride on the additional vehicles.

Any such pricing policy could be claimed to be based on the theory of long-run marginal costs of provision. It is highly questionable whether that would be appropriate to a public transport system. Inter alia, with such a pricing policy there should be a complementary method of investment appraisal, which would be likely to lead to very few asset replacements. For rarely would, say, a 10% return in commercial
terms be forthcoming, whether the new buses were to be provided for peak or off-peak travel. Generally speaking, only when social benefits are taken into account can investment in new buses be justified. Yet rarely is a pricing policy based on marginal costs compatible with investment appraisal based on social cost-benefit analysis.

Mr. Tyson, towards the end of his article, examines the policy implications of his findings, in particular the case for raising fares during peak hours.

If it be right to base charges on cost of provision, or more appropriately on the nett cost/revenue factor, would this not lead to fare charges above the norm during the evenings and on Sundays, and possibly also at other times according to the particular circumstances of each undertaking? And would there not be differing fare levels to reflect the varying cost/revenue relationships at each of these times? This would seem to be the logical consequence of any pricing system based upon costs.

If on the other hand the protagonists in the public transport industry of a peak period surcharge (or, more palatably, an “off-peak discount”) are really following the old economic concept of “charging what the traffic will bear”, why do not they say as much instead of confusing the issue with cost justification?

Public transport operators in this country have often in recent years been heard to bemoan the problems of the peak, sometimes to the extent of expressing the view that they would like to lose altogether an element of peak period traffic. London apart, which is a special case for a number of reasons, what is often really meant is a desire to spread the same level of peak traffic over a longer period, which is different altogether from losing the revenue entirely.

One does not hear the High Street traders complaining of their trade on a Saturday because it is too great. Their problem is with the early part of the the week when there is insufficient custom to cover their staff costs, let alone their overheads. What they have done is to modify staff provision by the engagement of part-time personnel, introduction of rota systems and suchlike measures in an attempt to deal with demand as it arises, together with innovations to spread the peak by late opening on one or two evenings during the week.

It is recognised that shop workers are not so highly organised as those in transport. Indeed it is doubtful whether overall there would be any advantage to the public transport industry if it were otherwise. Is it not, however, time that management and unions together jointly re-examined their attitudes so that the cost of service provision could be better tailored to public demand? Surely it would be in the interests of both to follow the vast majority of other industries in this respect in order to restrain the increasing inroads on their livelihood that are being made by their common enemy, the private car.

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