Rail Cymru

A People's Railway for Wales

Written by Professor Paul Salveson

Foreword by Karen Wilkie, The Co-operative Party

the co-operative party

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Professor Paul Salveson, November 2012

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Design: Martin Tiedemann

Our thanks to ASLEF, Co-operatives & Mutuals Wales, Co-operatives UK, SERA - the Labour Environment Campaign.

Published by The Co-operative Party
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The Co-operative Party is the fourth largest political party in Parliament, and the political arm of the Co-operative Movement.

We believe that people will achieve more by working together than they can by working alone. We support the efforts of those who seek success through that co-operative endeavour.

We believe that the only way to create a just and fair society is through power being spread evenly throughout society, and not arbitrarily based on wealth, class, gender or race.

We work to promote co-operatives and all forms of mutual organisation.

We work in partnership with the Labour Party as its sister party to achieve these ends. There are currently 32 Labour Co-operative MPs including ten members of the Government.

Printed by Knight Print, Penarth, Vale of Glamorgan CF64 3EE

ISBN 978-0-9559737-4-1

Price £5.00

Foreword

This report has been commissioned by the Co-operative Party, ASLEF, Co-operatives & Mutuals Wales and Co-operatives UK, and written by Professor Paul Salveson.

It aims to stimulate debate and discussion on how to develop the railways serving Wales and the Borders.

The franchise for 'Wales and the Borders' (currently run by Arriva Trains Wales) comes up for renewal in 2018. This provides an opportunity to set new objectives for how a high quality railway serving the people of Wales and the Borders can be achieved, and to completely re-think the way that rail passenger services are delivered.

The Welsh Government has already shown a commitment to driving the agenda forward. We hope that this report will be seen as a positive contribution towards the aim of achieving a not-for-profit railway for Wales – Rail Cymru.

The proposals here need much further development and evaluation. However, we feel that this short document will help take the debate beyond a 'private good/public bad' debate to look at how a railway suitable for the 21st century, incorporating high quality of service, public accountability, employee involvement and value for money can be achieved. **In other words, how co-operative values can be applied to a modern railway.**

We now urge the Welsh Government to work with experts in the co-operative movement to develop a model for a people's railway for Wales.

Karen Wilkie
The Co-operative Party

Executive summary

- The ways of providing rail passenger services across the UK are under review following the collapse of the West Coast main Line bidding process. At no time since rail privatisation in 1993 has the future of Britain's railways been under such scrutiny. It is time to take a fresh and radical look at ways in which rail can make a major contribution to sustainable development for Wales in particular - the ending of the current Wales and Borders franchise in 2018 offers an opportunity to prepare an alternative that offers value for money to the Welsh Government, rail passengers and the wider community.
- Franchising - whatever its suitability to some commercial activities - is singularly unfitted to providing rail passenger services, which require long-term stability combined with a high degree of public accountability. The experience of rail franchising in the UK has demonstrated with ever-greater clarity that it is no way to run a railway.
- This paper argues for a new approach that would see the creation of a not-for-profit enterprise called Rail Cymru, with strong representation from the Welsh Government, rail employees and passengers, as well as other key stakeholders in Wales and the English borders. Whilst it would not be a full co-operative, its ethos would fully reflect co-operative principles of social responsibility, democracy, equity and service to the community.
- Rail Cymru would operate as an arms-length enterprise with close and supportive relationships with the Welsh Government (its principal funder), which would specify the outputs required from Rail Cymru. The train company would be required to work closely with Network Rail as infrastructure manager and with other train and bus companies, public, mutually-owned or private, providing complementary services.
- Rail Cymru would be a new kind of railway company, whose main commitment would be to the people of Wales and the borders, not to a group of shareholders. Its values would reflect this wider social mission and it would aim to set new standards of outstanding customer service and community benefit.
- To succeed in being regarded as an outstanding social enterprise, full involvement of its employees would be essential and this paper sets out a practical means by which this can be achieved. Close and positive relationships with local authorities and their regional consortia are equally essential. It would also build on the outstanding work of the Welsh community rail partnerships and station friends groups to ensure that Rail Cymru would be strongly focussed on working with the local communities it serves.
- Rail Cymru would have commercial freedom to develop complementary services to its core responsibilities; these may include feeder bus services, catering and other products that could be commercially justified. In other cases Rail Cymru could support local co-operatives in providing services at local stations.
- These proposals will not cost the taxpayer any more than the current franchising arrangements do. We would argue that it will provide better value for money, and revenue generated by Rail Cymru would go back into improving its services, not shareholder dividends.

Introduction

Railways in the UK are more than ever coming under public scrutiny. The franchising process is being reviewed following the fiasco of the West Coast Main Line bidding process. There is a need for a radical, fresh approach that offers value for money, public accountability and a stronger voice for both passengers and staff to deliver a top class railway. There is an exciting opportunity to make Wales the standard-bearer for a new approach that delivers these objectives based on co-operative principles. Our plans are realistic, radical and deliverable.

Drawing on co-operative principles, mutual businesses and employee involvement this paper explores the possibility for a new model of rail network to serve Wales - a model that combines accountability, value for money and an entrepreneurial approach in contributing to economic and social regeneration and sustainable development. The opportunity is presented by the new franchise for local and regional services, which commences in 2018. The Welsh Labour Manifesto called for a 'not for profit' train operating company, and this is supported by at least two of the rail unions (Aslef, TSSA) and the Co-operative Party. Plaid Cymru is also supportive of a publicly-owned railway.

There has been considerable discussion in the Welsh media recently following the statement by former Secretary of State, Justine Greening, that the UK government would not permit Scotland to run its rail services by a 'publicly-owned operator'. The Welsh Labour Party re-affirmed its commitment to examining not-for-profit models for a post-2018 Welsh train operating company.

This paper argues for the creation of an arms-length not-for-profit company ('Rail Cymru') that would operate on a long-term concessionary basis from the Welsh Government. Its governance structure would learn lessons from existing co-operatives and mutuals and contain a partnership of public, private and voluntary sectors with a high level of employee involvement. It would form a central part of Wales's vision of a sustainable, democratic and dynamic business sector.

The Wales and Borders Franchise

Most rail services in Wales, with the exception of InterCity services from London (operated by Virgin, at present, to Holyhead, and First Great Western to Swansea), are operated by Arriva Trains Wales (ATW), on a franchise ('Wales and Borders'), which began in 2003 and terminates in 2018. ATW is ultimately owned by Deutsche Bahn, the German state-owned train operator which also – trading as Arriva – has the CrossCountry and Tyne and Wear Metro franchises. It also owns the open access operator, Grand Central, as well as many bus services including a substantial number in Wales.

The current Wales and Borders franchise is a mix of busy suburban networks, some very rural routes and some major services that are 'inter-regional' in character, in some cases crossing the national border. The network is basically:

- Suburban: 'Valleys' network including Cardiff to: Ebbw Vale; Rhymney; Merthyr; Aberdare; Treherbert; Maesteg; Barry/Vale of Glamorgan and Penarth.
- Rural/Community Rail: Llandudno to Blaenau Ffestiniog; Wrexham – Bidston; Swansea – Shrewsbury; Dovey Junction – Pwllheli
- Regional/Inter-regional (inc. cross-border): Cardiff – Holyhead/Manchester; Manchester/Crewe – Llandudno/Holyhead; Birmingham Intl. - Shrewsbury – Aberystwyth; Swansea/Cardiff – Bristol/Cheltenham; Cardiff/Swansea – West Wales (Fishguard, Milford Haven, Pembroke Dock).

At present the network is entirely diesel-operated. However, plans recently announced will see electrification of the Valleys network in its entirety and extension of main-line electrification from Cardiff (already committed) to Swansea.

As will be noted above, several routes in Wales have re-opened to passenger services as a result of funding from the Welsh Government. The most recent development was the re-opening of Fishguard and Goodwick station in May 2012 and the enhancement of service levels on the Fishguard route.

The Legislative framework

Train services in the UK are provided under the terms of the 1993 Railways Act, which effectively 'privatised' the rail network. Particular networks were created to form franchise 'packages' that were then put out to tender by the Government. Initially this was done by the Office of Passenger Rail Franchising, which was then subsumed by the Strategic Rail Authority. Following abolition of the SRA in 2006 franchising has been the direct responsibility of the Department for Transport (DfT). However, there are two notable exceptions. Scotland has responsibility for domestic rail services, through the Scottish Government's executive arm, Transport Scotland. On Merseyside, the passenger transport executive, Merseytravel, has responsibility for the Merseyrail electric network. Transport for London has responsibility for the London Overground franchise. It should also be pointed out that Northern Ireland Railways remains as a state-owned and vertically-integrated railway with close synergies with bus services in the province which are also publicly—owned.

The current arrangements in England are under review and the Department for Transport has been consulting widely on proposals to devolve responsibilities for franchising in England to a more local level (*Rail Decentralisation: devolving decision-making on passenger services in England,* 2012). The exclusion of Scotland and Wales reflects the fact that in both cases 'decentralisation' has gone further, apart from Merseyside and Greater London, than most parts of England.

Perhaps the most radical option currently being looked at is for the passenger transport executives (PTEs) to take over complete responsibility for the 'Northern' franchise - and possibly TransPennine Express, which sits largely within the contours of the Northern Rail franchise, with the exception of its Scottish extension. The PTEs are aware that taking on local rail networks has got to be accompanied by a fair funding settlement. As PTEG has argued in '*Rail Cities in the 21st Century: the case for devolution*': "Taking on greater responsibility for local rail is not without risks. As part of negotiating for more power, we want a full understanding of the costs, risks and liabilities associated with increased responsibility. At present the system for allocating costs lacks transparency, and is relatively unaccountable to local partners. Our ambitions can only be realised if we get a fair deal for funding on the railways".

In the case of Scotland, Transport Scotland (overseen by the Scottish Government) is responsible for specifying, managing and funding the 'Scotrail' franchise, which is currently operated by First Group. Transport Scotland is also responsible for publishing its own High-Level Output Specification which details the long-term development of the rail network, with accompanying funding arrangements. The Scottish Government has been urging the Department for Transport to allow derogation from S.25 of the Railways Act 1993, which only allows private sector operators to bid for franchises. This has been rejected by the Department for Transport.

In the case of Wales, the Welsh Government, since 2006, has been responsible for the specification and primary management of the Wales and Border's franchise but funding comes from the Department for Transport.

Under the Government of Wales Act, powers are conferred upon the Welsh Ministers. Under the Act the Welsh Government is able to:

- develop and fund infrastructure enhancement schemes
- develop new rail passenger services
- invest in improving the journey experience for rail users
- fund rail freight improvement schemes through Freight Facility Grant (FFG).

The above relates to the operation of passenger services. Freight is run on a different basis, within what is essentially an 'open access' regime where approved operators can run freight services on a commercial basis, with track access levied by Network Rail. Rail freight is of considerable importance to the Welsh rail network, particularly for oil and petrochemicals in South Wales (to and from Milford Haven), steel, and other traffic on the busy Newport – Shrewsbury corridor.

Network Rail itself is responsible for the overall management and development of the railway infrastructure: track, signalling, stations and associated facilities including depots. All stations in Wales are operated by Arriva Trains Wales under a landlord/tenant arrangement. ATW also manages stations at Chester, Shrewsbury and other smaller stations on ATW routes within England.

The need for change

Recent controversy over the West Coast Main Line franchise has brought wider issues around rail franchising into the public eye. The report by Sir Roy McNulty on the costs of operating the rail network showed that the UK rail network was around 30% more expensive than its counterparts on the continent. The reasons for the discrepancy remained muddled in the McNulty report, though it is clear that the franchising system itself does not offer the sort of benefits to either passengers or the taxpayer that the original supporters of privatisation suggested.

The recent report by Transport for Quality of Life – *Rebuilding Rail* (2012) highlighted the substantial additional costs of the privatised railway, suggesting a cumulative figure of around £11.5 billion additional costs since privatisation. These costs include interest payments on Network Rail debt, cost of interfaces between train operators and Network Rail, profit for train operators and rolling stock leasing companies, dividend payments and other factors (*Rebuilding Rail* p.18).

There are other factors as well that call into question the wisdom of the franchising model for a railway. Franchising by its nature is short-term. The Wales and Borders franchise was let for slightly longer than other franchises, at 15 years. Even this, however, is not a long period for an industry such as rail, which relies on very long-term investment horizons. The typical life of a train might be 25-30 years; other assets are much longer. Whilst to some extent, it can be argued, a strong public body in charge of the franchise can take that long-term view, the reality is that the instability of franchised train operations imposes its own, often hidden, costs.

What are these hidden costs? A key factor is employee morale. Seemingly constant change of franchise owner undermines the traditions of loyalty and pride, which were passed on from the old private companies to British railways in 1948. A particularly unacceptable example was First Great Western's peremptory surrender of their franchise when higher franchise payments were about to kick in, leaving both employees and passengers confused as to their future fate.

Even allowing for a 'normal' franchise, the reality of franchising is that a company will spend a couple of years at the start of the contract getting to understand its market, and then towards the end of the franchise – often three or four years before its termination - will take its foot off the pedal and not put any energy into the existing operation.

There are other options within franchising. The typical model on the continent is for a public body (typically a regional authority) having complete responsibility for procuring, funding and managing a rail passenger concession with the operator actually 'invisible'. Branding, ticketing and timetabling are set by the public body. This is not so dissimilar to the ScotRail franchise where the trains are branded in Transport Scotland's 'saltire' livery. However, risk is shared with the train operator (First ScotRail).

Even in the 'gross cost' contract, franchising is not necessarily the optimal solution. If the public body is taking such an overwhelmingly direct role in the franchise, it has to be asked why go to the trouble of franchising a rail service in the first place. The franchise still needs careful management and that requires significant resources. The franchising process is broken and it is beyond fixing: a new approach is needed that guarantees stability and accountability.

Other models of rail operation in Europe

Other countries in Europe have adopted various models to manage their local and regional services. In Germany, local and regional passenger networks are the responsibility of the länder, which mostly use franchising powers to procure rail services. However, some of the länder have historically owned their own local railways. An example is the Hohenzollerische Landesbahn, which is owned by the region. This is a vertically-integrated railway, which has benefitted from substantial investment in recent years. A legal judgement in 2002 compelled regional transport authorities to put their services out to competitive tender, though adherence to this has not been universal.

Switzerland, with a population of just fewer than 8 million, has long enjoyed both a highly reliable and attractive rail system with a high degree of decentralisation, involving nearly 60 different railway companies, mostly vertically-integrated. Most of these are, however, small operations serving particular cantons. By far the biggest operator is Swiss Federal Railways (SBB) with Bern-Lotschberg-Simplon (BLS) being the next largest. As Switzerland is not in the EU there is no requirement to separate infrastructure from operations, and SBB thus covers both spheres, as does BLS for its own network through the Alps.

There is a clear distinction made with Swiss railways between long distance services, and with regional and local passenger services. The local and regional services are typically provided by locally-owned arms-length railway companies with vertical integration between operations and infrastructure. A contract (service level agreement) between the canton and the local railway is normally negotiated every four years with ‘net cost’ contracts awarded. In other words, the operator is given a baseline of funding and any extra revenue goes to the company, whilst it has to bear any loss.

The picture in Spain is interesting for its lack of uniformity, reflecting the ‘asymmetric’ pattern of devolution within the country. Following the end of the highly-centralised Franco regime, a process of devolution began that created ‘self-governing regions’ in some parts of Spain, notably Catalonia and the Basque Country. However, the state operator, Renfe, continues to provide the overwhelming number of local and regional passenger services, as well as longer distance and AVE (high speed) services. In Catalonia it is the regional government that contracts with Renfe for the provision of regional services.

The situation in the Basque Country is different, partly on account of railway geography and politics. The Basque Government has progressively taken over responsibility for the extensive metre-gauge network, which centres on Bilbao and San Sebastian – the ‘Euskotren’ network. This is different from the state-owned FEVE network, which also serves Bilbao but extends well beyond the Basque border. Euskotren is a vertically-integrated operation wholly owned by the Basque Government. It has invested heavily in upgrading the decrepit network, with track doubling, new stations and new rolling stock (built by Basque manufacturer, CAF). Euskotren also owns a fleet of buses, which provide connections into the rail network.

Perhaps most interesting from a Welsh perspective is Northern Ireland Railways, which remains a vertically-integrated publicly-owned railway. The size of the rail network is smaller than Wales but its relevance is that it is ‘the other’ devolved government within the UK. NIR is a subsidiary of Translink, which in turn is owned by the Northern Ireland Transport Holding Company, a state body. Rail and bus sides of the operation have a single board of management, which is selected by the Northern Ireland government. Northern Ireland was excluded from the provisions of the 1993 Railways Act.

Several bus companies in the UK are run as ‘arms-length’ not for profit companies, including Swindon-based Thamesdown Transport, which won the award for ‘Britain’s best bus operator’. Cardiff Bus is owned by the local authorities. Hackney Community Transport – maybe a good example – now running TfL bus routes and operations as widespread as Yorkshire and the Channel Islands.

No single example offers the perfect template for Wales. There is an opportunity to create something new which combines enterprise with accountability and gives real value for money.

The debate in Wales

Professor Stuart Cole, a highly-respected transport academic, has argued that there are a number of options for a future rail operation in Wales. The nub of his argument is as follows:

“Apart from running the railways as a franchise operation the Welsh Government could own and run the system itself as a not-for-dividend company, probably operated at arms-length by a National Rail Transport Authority. Some have argued that this would amount to nationalisation by the back door, though others have pointed to the current Network Rail position, responsible for the rail track throughout Britain, as offering a precedent for direct government involvement. Network Rail has a close relationship with the Department of Transport while remaining a not-for-dividend private sector company.

“If the Welsh Government wished to continue a franchise arrangement, but not as a co-operative, then it has two choices:

“Firstly, a conventional franchise from the Welsh Government alone, rather than the present joint arrangement with the Department of Transport. In this scenario the operator would be a listed company, such as Arriva, First, Stagecoach or National Express. There would be no capital investment risk as all the assets – rolling stock, stations and track from Network Rail – would be leased for the life of the franchise. The revenue and operating cost risk would lie with the private company franchisee.

“Secondly, a not-for-dividend company operated as a franchise from the Welsh Government. This would require the appearance in the market of new not-for-dividend companies bidding for the franchise in order to achieve/meet European competition rules, unless it could be shown that a single such company was not obtaining competitive advantage. It has been suggested that Glas Cymru (upon which Network Rail was largely based) could be the model for a Welsh Train Operating Company with a guaranteed revenue stream and a highly capitalised registered asset base. This model only has the revenue stream guaranteed for the subsidy element and a buoyant and expanding market for the fare-paying element. Under this scenario the revenue and cost risk would again lie with the company. To succeed it would have to match a public sector ethos with private sector commercial discipline.”

Professor Cole continues: “Against these options a franchised co-operative company would be owned by the employees (as with the John Lewis

Partnership) or the passengers (as with the Co-op) or, more likely some combination of the two – as is the case, for example with the Mondragon Eroski supermarket chain that operates through much of Spain. In this scenario the revenue and cost risk would lie with the employees and passengers. If the company mirrors the present retail companies the extent of the risk would be on the same basis". (IWA, August 2012).

A spokesman for transport minister Carl Sargeant AM said: "In May 2011, Welsh Labour pledged the people of Wales in our manifesto that we would examine the feasibility of the Wales and Borders rail franchise being run on a not-for-dividend basis, which includes the potential for cooperative or social enterprise models. This policy is now precisely what we are actively pursuing in government. We are keeping our promise. This will form part of a widespread review of the prospects for the next franchise and the future of Welsh rail in general later this year, ahead of the process to let the next franchise."

The debate has been broadened to include transport campaigners who have backed the idea of a non-private model to run railways in Wales. The picture that emerges is of a considerable degree of political consensus within Wales, at least between the Labour Party and Plaid Cymru, that the current arrangements are not sustainable and new approaches are necessary. This is backed up by substantial support amongst transport campaigners and transport academics within Wales.

Beyond franchising: obstacles and opportunities

Achieving a publicly-owned, mutually controlled and accountable railway for Wales clearly will involve political and ensuing legislative change, which will take strong political will. Based on recent statements by the former Secretary of State, it would seem unlikely that either Scotland or Wales – under current constitutional arrangements and with the current parties in power at Westminster – would be allowed to pursue either non-franchised or non-private approaches to running their railways. For the Welsh Government to go beyond the current franchise 'lottery' it needs to negotiate some significant changes in its relationship with the Department for Transport that would, almost certainly, require a change of government at Westminster. However, it need not involve primary legislation. For Wales, the first step should be to have the powers currently enjoyed by Scotland, so that it is able to not only specify and manage, but also have all other responsibilities, including funding, for the Wales and Borders Franchise.

After an initial expression of interest, the Scottish Government went cool on the idea of a not for profit ScotRail. It was suggested that this may have been down to lobbying by the Scottish-based transport groups.

The 1993 Railways Act, which does of course apply to Wales, presents obstacles to going for a non-franchised approach, but these may not be insuperable if the political will is there. A concession approach, where a not-for-profit train company is given a long concession, with regular reviews, is clearly an option. Whilst more detailed advice is necessary from a parliamentary lawyer, it would seem that trying to achieve the objective of a publicly-owned and accountable railway for Wales would be difficult but not impossible if there was a sympathetic government in Westminster that could provide derogations from the Act, possibly using Wales as a test bed for future re-structuring in the UK that might involve new legislation.

It does need remembering that seemingly easy solutions such as exempting Wales from the provisions of the 1993 Act would come up against the reality that the current Wales and Border franchise operates within a substantial part of the English borders and into Crewe and Manchester.

A further potential obstacle is the proposals currently being debated at EU level for the Fourth Railways Package which, if agreed in its current form, would require all transport authorities (be they national, regional or local) to put public transport services out to competitive tender. The package is still under discussion and it is expected that a final version will be agreed by the end of 2012.

Towards Rail Cymru: a co-operative approach

It's very clear that, if the above legal obstacles were surmounted, a Welsh 'people's railway' would be eminently practicable and would deliver substantial benefits to Wales and the English borders (see below). A suitable legal structure requires detailed work but the example of Glas Cymru is relevant, for a number of reasons. Perhaps above all, Glas Cymru shows that a not-for-profit model is possible, even for a business that has substantial liabilities and risks.

Several options were considered for Rail Cymru, including a full co-operative structure. A co-operative is defined as "*an autonomous association of persons united voluntarily to meet their common economic, social, and cultural needs and aspirations through a jointly-owned and democratically-controlled enterprise*". The fundamentals of the co-operative approach are set out in the International Co-operative Alliance's values and principles. Co-operatives are based on the values of **self-help**, **self-responsibility**, **democracy**, **equality**, **equity** and **solidarity**. In the tradition of their founders, co-operative members believe in the ethical values of honesty, openness, social responsibility and caring for others.

The co-operative principles are guidelines by which co-operatives put their values into practice. These include:-

1) **Voluntary and Open Membership.** Co-operatives are voluntary organisations, open to all persons able to use their services and willing to accept the responsibilities of membership, without gender, social, racial, political or religious discrimination.

2) **Democratic Member Control.** Co-operatives are democratic organisations controlled by their members, who actively participate in setting their policies and making decisions. Men and women serving as elected representatives are accountable to the membership. In primary co-operatives members have equal voting rights (one member, one vote) and co-operatives at other levels are also organised in a democratic manner.

3) **Member Economic Participation.** Members contribute equitably to, and democratically control, the capital of their co-operative. At least part of that capital is usually the common property of the co-operative. Members usually receive limited compensation, if any, on capital subscribed as a condition of membership. Members allocate surpluses for any or all of the following purposes: developing their co-operative, possibly by setting up reserves, part of which at least would be indivisible; benefiting members in proportion to their transactions with the co-operative; and supporting other activities approved by the membership.

4) **Autonomy and Independence.** Co-operatives are autonomous, self-help organisations controlled by their members. If they enter into agreements with other organisations, including governments, or raise capital from external sources, they do so on terms that ensure democratic control by their members and maintain their co-operative autonomy.

5) **Education, Training and Information.** Co-operatives provide education and training for their members, elected representatives, managers, and employees so they can contribute effectively to the development of their co-operatives. They inform the general public - particularly young people and opinion leaders - about the nature and benefits of co-operation.

6) **Co-operation among Co-operatives.** Co-operatives serve their members most effectively and strengthen the co-operative movement by working together through local, national, regional and international structures.

7) **Concern for Community.** Co-operatives work for the sustainable development of their communities through policies approved by their members.

These are all extremely worthwhile objectives that need to form a central part of the governance of a new Welsh railway company. This is the approach argued for by Professor Stuart Cole, who outlines the benefits of a co-operative structure:

"The successful existence of the Co-operative shops and building societies suggests that any business with a large number of customers could be a mutual. This certainly includes a train operating company. Other advantages with the co-operative approach might include:

- *A co-operative business could be expected to give a greater sense of collective ethos, which would help the industry through difficult times.*
- *Staff absences could be expected to be lower than other forms of business structures, as is claimed by the John Lewis Partnership.*
- *Many of the complaints about rail companies might disappear if the passenger felt a direct ownership. Of course, the last time the railways were in public ownership that didn't happen though that might have been because, in effect, the British Rail model was no different from a conventional private company.*
- *Persuading travellers that the railway really was being run for their benefit might remove the 'them and us' perception".*

(Prof. Stuart Cole, IWA Agenda, August 2nd 2012)

Professor Cole's comments about developing a strong 'collective ethos', improved staff morale, passenger satisfaction and a sense that the railway is run 'for us' and not 'them' (shareholders) should be reflected in how Rail Cymru is not only structured but how it works in practice. As Stuart observes, 'British Rail' was a state-owned company but there was little involvement of either passengers or staff.

Getting the right balance between employee and passenger needs, local government and other stakeholders, and the interests of the Welsh Government - which will be the main funder of Rail Cymru - is critical. Given the large amount of public subsidy that would go into Rail Cymru, a model that enshrines a significant degree of control by the Welsh Government has advantages over a full 'co-operative' in which the risk is largely taken by the owners (who could, as Stuart observes, be a combination of staff and passengers). A business that is reliant on a substantial level of public subsidy must have a significant degree of Government control, though an arms-length approach is possible. A totally-owned and controlled train company may not have the scope for enterprise and, with that, a degree of risk-taking that any dynamic business needs to have. It is very much about striking a balance. The challenge is to ensure that the fundamental values and approach of the co-operative model can be tailored to fit the needs of a railway company dependent on a high degree of government support. We believe that the above benefits could be delivered by a not-for-dividend company limited by guarantee, providing the fundamental ethos is established at the start.

A simple, easily-understood company limited by guarantee offers the simplest legal model to deliver a not-for-profit train company. This is the model adopted by Network Rail, though its actual governance remains far from ideal – similar criticisms could be made of Glas Cymru. Rail Cymru could be either a Community Interest Company (limited by guarantee) or a co-operative in the form of an Industrial and Provident Society (society for the benefit of the community). The key issue is to ensure that the company structure is designed from the start to ensure high levels of public accountability (particularly to the Welsh Government), with strong involvement of passengers and employees. Starting with a clear statement of the company's mission and values provides the foundation.

Mission and Values of Rail Cymru

The following mission and values are based on those of Euskotren, the highly successful regionally-owned train and bus operator in the Basque Country.

MISSION

To meet the mobility needs of communities and businesses within Wales and adjoining parts of England, providing a high quality, accessible and affordable service which respects the environment and promotes sustainable development.

VISION

To be a leading enterprise in Wales distinguished by providing excellent service to customers, value for money to the taxpayer, high levels of employee and community engagement and a rewarding career for its workforce.

VALUES (see below)

- Socially responsible
- Responsive to customer needs
- Modern and Innovative - learning from best practice world-wide
- Committed to Teamwork and Partnership, with internal and external partners

Values

The above values need to go beyond traditional private sector hype and be meaningful, with regular independent audits. The Business in the Community (BiTC) process by which companies can achieve varying levels of recognition for their commitment to social responsibility are highly relevant. The four pillars of social responsibility outlined by BiTC in Wales are:

- Community - *working with schools & young people, improving the employability of hard-to-reach groups, developing enterprise across Wales*
- Environmental Sustainability - *tackling climate change, resource depletion and improving the efficiency of Welsh businesses*
- Workplace - *developing a skilled healthy workforce, tackling skills gaps and encouraging companies across Wales to volunteer*
- Marketplace - *improving commercial operations, developing the supply chain*

Each of these is highly relevant to the operations of a socially-responsible train company. The 'community' dimension can be taken considerably further, and this is explored in greater detail below. A high profile in the community is not only 'the right thing to do' it also strengthens RC's commercial profile.

Environmental sustainability should be fundamental to the social goals of Rail Cymru, reinforced by best practice in all aspects of its operations - in particular energy and fuel use, which bring down operating costs.

Rail Cymru would be a major employer and many of its staff would have both safety-critical and sensitive customer-facing roles. High levels of training are essential combined with an inclusive approach towards recruitment (including above – employing 'hard to reach' sections of the community). Encouraging employee involvement in community activities, with agreed time off for volunteering should be a key aspect of what RC offers to its employees.

Finally, Rail Cymru should operate as a responsible business with its customers – above all passengers – but also its supply chain. Ethical procurement policies should include a presumption of buying local, encouraging positive and fair commercial relationships, supporting small businesses and in particular social enterprises. The buying power of a large business such as Rail Cymru could be used to help small social enterprises and community organisations. Rail Cymru should aim to score consistently high in Passenger Focus's passenger satisfaction surveys. We discuss below the option of some small/medium stations being run as community co-operatives (with a long-term lease from Network Rail) providing a range of local services as well as rail tickets.

Financial Questions

The current subsidy given by the Department for Transport to Arriva Trains Wales is approximately £140m per annum. In addition, substantial investment is being made in infrastructure through the Welsh Government. The proposed not-for-profit train operating company does not impact massively on this current arrangement, though the assumption is that funding the future franchise (or whatever it may become) will be via the Welsh Government. An additional advantage of moving away from a franchising model is that the costs of managing a franchise – which are considerable – will be reduced.

There would be some up-front costs in setting up a suitable not for dividend, non-franchised TOC, and further costs in monitoring and liaison, but these are likely to be lower than the current costs of franchise management.

It should be stressed that although Rail Cymru would continue to receive a considerable financial subsidy from the Welsh Government, it will be encouraged to make a surplus from extending and improving its commercial performance and this surplus would be re-invested into the business through improvements such as station facilities, improved information and on-train services - not to shareholders. Neither should there be a culture of excessive executive bonuses (see below).

Creating a real People's Railway: Community and 'Welshness'

The privatised railway in the UK has to a degree recognised the importance of community involvement in its operations, at least for local and regional services. However, there has been a sense that these are marginal, particularly for some of the InterCity operators. And the reality of running a complex, long-distance network means that any consultation process, or community involvement, has inevitable limits.

So what could Rail Cymru do that would really make a difference and give a sense of ownership and involvement?

There is a complex relationship between physical size, identity and sense of owning something. British Railways was technically 'owned' by the people of Great Britain but the size was so great – coupled with a fairly top-down approach anyway – that a sense of ownership was impossible to develop. Amongst employees there was a degree of identity with 'BR' but it was more about a sociological 'industry' identity, which has persisted, despite the efforts of many companies, after privatisation.

A good comparator is Merseyrail, a franchise owned by Serco and Abellio and specified by the PTE, Merseytravel. The size is ideal for developing a strong sense of identity. Trains and stations are strongly branded and relate strongly to a sense of local identity. Another example, going back many years, was the very local 'Killin Railway', which operated in the Scottish Highlands. The company was funded and owned by the local community, which included not just the inevitable laird but local businesspeople and farmers. It was 'their' railway in every sense!

Rail Cymru would be in a similarly strong position to take advantage of its 'Welshness' in a way that ATW never has. Building up a strong identity not only as a Welsh enterprise, but as one that is the property of the people of Wales, offers the sort of advantages that PR people can only dream of.

Getting the fundamentals right is the rock on which everything else should be built, and if Rail Cymru can offer the sort of quality and reliability that companies like Merseyrail can offer, they will be in a strong position to develop further. Nobody wants to be associated with a poorly-performing operator, however nice the branding is.

But this section will dwell on the more cultural aspects that are important if Rail Cymru is to win the hearts of the people of Wales and those parts of England that it would serve. The rail network does not respect national boundaries and it will be important to ensure that neighbouring authorities in England – above all Shropshire but also Cheshire West and Chester, Warrington, Halton and Greater Manchester – are involved too.

The 'branding' of Rail Cymru should be unequivocally Welsh, with bi-lingual signage and information, as is already well-established. All staff should be incentivised to learn Welsh if they are not already proficient. The public image of Rail Cymru should be designed to reflect a modern take on Wales, promoting a sense of community as well as heritage.

The profile of Rail Cymru should extend to every part of Wales, not just stations and trains. It should have a high profile at major events, e.g. eisteddfodau and major sporting events but also more local community galas, concerts and celebrations. It should be a sponsor of a range of national and local events and community activities with a substantial 'communities' budget.

The direct 'offer' of Rail Cymru should symbolise that this is a very different railway company. Stations should be part of the community, building on the success of the 'adopt a station' approach but going much further, with station buildings used for community activities. Where station buildings have been destroyed, there should be a programme to re-build stations with facilities that are more than 'fit for purpose' and incorporate retail and community facilities where appropriate. Rail Cymru should have a 'High Street' retail presence at larger towns and cities (including London, Manchester and Birmingham as well as within Wales), not only selling travel products but 'Welsh' tourist goods.

In addition, Rail Cymru should develop a 'special trains unit' to provide, on a fully commercial basis, additional services for either special occasions (e.g. Rugby Internationals and other major sporting events) or private special excursions.

Extending the community rail partnership/station adoption model

There are well-established CRPs covering several routes in Wales including:

- Conway Valley (Llandudno – Blaenau Ffestiniog)
- Cambrian (Shrewsbury – Aberystwyth/Pwllheli)
- West Wales (currently suspended due to lack of funds)
- Wrexham – Bidston
- Shrewsbury – Chester
- Heart of Wales (Swansea – Shrewsbury)

The partnerships should be encouraged to develop their activities further, with additional (and long-term, secure) funding. Their current management varies but most have strong local government involvement, which is of critical importance. The CRPs should look at ways to build on their current activities and identify new opportunities to develop links with local communities.

Not every line in Wales is currently covered by a CRP and consideration of new CRPs should include Cardiff Valleys, with a strong focus on working with young people, particularly in areas of high social deprivation.

Routes such as the North Wales Coast main line and Newport – Shrewsbury are not classic 'CRP routes' but there are already some excellent examples of community adoption of stations, e.g. Church Stretton (Shropshire). These should be further encouraged with active involvement of community and parish (England) councils.

At a more strategic level, Rail Cymru should have a board of management that reflects the diversity of Wales (see below).

Finally, copying the example of the Killin Railway, a positive way of encouraging a sense of ownership is just that – giving people a share, either through shares or bonds, with Rail Cymru.

There have been suggestions that some lines could become 'micro franchises' operated independently to a Welsh TOC. Whilst there may be merit in doing that within a privatised structure, the proposed not-for-dividend Rail Cymru should have the flexibility to provide a comfortable home for the rural as well as urban and longer distance lines, with greater responsibilities given to the CRPs along their routes. Taking on the operation of train services is hugely complex and could leave rural lines exposed economically and in the event of a 'catastrophic' incident. Staying within the protection of a publicly-supported all-Wales body is a safer and more practicable option.

In the case of some lines, e.g. Heart of Wales, a route-based co-operative could be formed to promote and develop peripheral services that capitalise on the line's tourist potential, and possibly bring retail staff back to stations. It is noteworthy that Llandrindod Wells is already operated by a private individual and Llandovery has a tourist centre. Other stations with business potential are Llandeilo, Ammanford, Llanwrtyd Wells, Church Stretton and Craven Arms. Other possible retail activities a Heart of Wales Line Co-op might develop include feeder bus services, cycle hire, tourism packages etc.

Relationship with Department for Transport

The DfT is clearly taking a positive approach towards devolving more responsibilities to regions and nations within the UK, so a move towards much greater control of the Wales and Borders franchise by the Welsh Government will not, in itself, be a problem. Avoiding the franchising process is the biggest challenge and this would require a political settlement between Cardiff and London.

Whether that would be forthcoming with the current Coalition Government may not be likely, and this is discussed above. An incoming Labour Government should, however, have the political will to amend the Railways Act to permit different approaches to the procurement of rail services providing a responsible public body can demonstrate that it offers value for money and appropriate accountability.

A positive relationship between the Welsh Government, its civil servants and the DfT is important. The DfT is likely to retain prime responsibility for the intercity operations that serve Wales (West Coast and Great Western) and Wales should work hard to make sure it can influence those franchises now and in the future.

Relationship with the Welsh Government

The proposal in this paper is for a not-for-profit company – Rail Cymru – to operate the 'Wales and Borders' network.

The Welsh Government would be the main funder and specifier of the services provided by Rail Cymru, though the company may add to the core specification if it could identify commercial opportunities.

'Rail Cymru' would be established through a participatory approach led by the Welsh Government but involving other stakeholders in creating the company. Specialist legal advice would be required.

It would not be a branch of the Welsh Government but the relationship should be close and friendly, with strong working relationships at senior levels of WG and Rail Cymru. This is the key to making the project work and a good example, again, is Merseyrail, where the senior managers of the train company have close and positive relationships with Merseytravel and also Network Rail. London Overground Ltd (LOROL) has a similar close relationship with Transport for London, with services operated on a similar concessionary arrangement.

The Welsh Government would be responsible for the 'concession' to operate the Wales and Borders services and the contract would include key requirements relating to service levels, fares and ticketing, connectivity and accessibility. The Welsh Government would be responsible for funding larger capital projects, possibly with support from the local authority partnerships.

The concession agreement would include sanctions for poor performance, with the ultimate power to end the concession and take such action as it deemed necessary (e.g. take the operation 'in house' as with the DfT's current arrangements with East Coast) or give the concession to a different organisation.

There should be a periodic review – probably every three years – where the whole operation would be put under detailed scrutiny and a report published by the Welsh Government on Rail Cymru's performance.

Relationship with the Railway Industry

The relationship between a not-for-profit train operator and other parts of the railway industry should not present any significant risk. As detailed below, a not-for-profit train operator would have to demonstrate high standards of competence in its dealings with industry partners, including Network Rail and other train operators. It should be a full member of the Association of Train Operating Companies (ATOC).

Network Rail is already structured as a not for dividend company and has the long-term investment horizons that, it is argued, a train company should have. There would be very strong arguments for an extremely close relationship between RC and Network Rail. Network Rail has already created a Welsh structure, which covers most of the territory over which RC would operate. Proposals in this paper argue for a significant Network Rail presence on the board of RC and close working arrangements at all levels, including train control and planning, route development and station management.

If the train company continued to manage the stations on the Welsh rail network, it would need to have a positive relationship with other train operators, notably West Coast and Great Western. However, as manager of the stations it would be in a strong position to ensure the other train operators using its stations provide a good service. None of the existing InterCity operators manage any stations in Wales and this would give RC a considerable advantage. There would be scope for commercial partnerships with other operators wishing to invest in station improvements, involving not just TOCs but Network Rail and the Welsh Government.

The most contentious relationship could be with the rolling stock leasing companies (ROSCOs). The cost of leasing trains is one of the main factors in driving up costs of the railway. One option, explored below, could be for the Welsh Government to buy the rolling stock outright and lease to RC. Another option may be for Wales to form a consortium with English regions/PTEs to create a larger 'non-profit ROSCO', which could have substantial benefits of scale and access to capital (see below). Joint marketing, sharing of expertise (technical, marketing, community development) would work to the benefit of everyone. This could be structured as a full co-operative along the lines suggested earlier in this report (see above).

There would be opportunities for Rail Cymru to assist in the development of supplier companies structured as co-operatives for provision of certain services, e.g. catering, specialist engineering functions and other services.

Finally, several heritage railways are major players on the Welsh tourist scene and a close and positive relationship with all of them, but especially those with a 'main line' connection, is very important. There may be scope for the short-term leasing of diesel locomotives based on heritage railways for charter services as well as using heritage railways for staff training, as occurs on many parts of the UK network already.

What would stay the same?

If Rail Cymru just 'felt' like another train operator it would have failed. It needs to excite people and give them a sense, as soon as they get to a station or join a train, that they are in a part of Wales. However, some things in the short term would not change dramatically. A major change such as this would be seen by some employees as a risk to their security. There should be assurances that current conditions and pay will be, at a minimum, no worse than the current arrangements – with potential for being much better. The existing staff would still be working the trains and managing the operation; the same rolling stock would be operating the services and the station fabric would not change overnight. Much of the *technical* aspects of running a train company would remain. Depot facilities at Cardiff and Chester would continue to provide the main engineering functions.

The broader safety environment would not change. Rail Cymru would be as much a part of the UK rail network as any other train company and would be subject to HSE control. On a commercial level, Rail Cymru would remain a part of the national Ticketing and Settlement Agreement and the basic fares structure would not change. However, there would be considerable scope for flexibility in local fares, including commuter tickets and multi-modal fares.

Rail is operating in a competitive environment and the main competition is the car. Rail Cymru would need to be commercially savvy and exploit marketing opportunities and go into areas that may be unfamiliar to many existing TOCs, e.g. retail other than rail tickets, catering etc. This is explored below.

It should be stressed that nothing in this report should be inferred that 'Rail Cymru' should limit its operations to Wales alone; the geography of railway operations does not allow it and the assumption in this paper is that Rail Cymru would continue to serve major centres in England, such as Birmingham and Manchester – with possible future extensions e.g. Liverpool.

What would change?

It is important, as argued above, that Rail Cymru positions itself as a very different kind of enterprise, charting 'clear red water' between the private, franchised world of rail operations since 1994 and what it wants to achieve as a social enterprise serving the people of Wales and the English borders. Creating a culture which is based firmly on its values (see Section 8 and 9) is critical. This should be translated into very tangible activities including:

Stations

Stations have massive untapped potential. In Wales itself there are some good examples of where station buildings have been brought back into use for wider commercial and community activities. An outstanding case is Betws-y-Coed where the formerly derelict station building now has a range of shops and cafes: it has become the heart of the village with frequent connecting bus services. This was funded originally by the former Welsh Development Agency and local authority monies. Gobowen (Shropshire) is another excellent example where a not for profit company runs the ticket office and provides travel agency services. This approach could be applied to many other stations within the Rail Cymru network.

Existing staffed stations should continue to be staffed by railway employees, but the Merseyrail model ('M to Go') of having combined booking offices and ticket sales in one 'shop' should be developed, with the Co-op as a partner. This approach would work at medium-sized stations e.g. Llanelli, Neath, Cwmbran, Rhyl, Wrexham, Hereford and Bangor. At smaller stations there may be scope for independent local co-operatives to develop retail activities (for example cycle hire, cafes, local food) along the Gobowen model. This should be given every encouragement, with rent-free accommodation and initial investment in building refurbishment. Locating other public services, e.g. post offices, doctors' surgeries, libraries, tourist information centres and other facilities should be considered if the location is appropriate and it does not undermine other local facilities.

Stations should be adopted by local community organisations with, as argued in further detail below.

It would be worth exploring the option of Rail Cymru taking over complete responsibility for stations from Network Rail through much longer leases than currently pertain within the railway industry. Initially, this could apply to smaller stations on the network which are within Wales. In some locations stations could be run as community co-operatives providing a wide range of services as suggested above and being responsible for routine cleaning and maintenance.

Trains

Rail Cymru would inherit a fleet that is entirely diesel, though with the imminent arrival of electric trains following completion of Valley Lines electrification. The diesel fleet will be required to enhance non-electrified services elsewhere in Wales and certain common features should be adopted for all trains, new or refurbished:

- Improved facilities for passengers with disabilities (beyond basic requirement)
- Strong 'Rail Cymru' branding with every train named, either after an outstanding person (living or dead!) or a feature of the Welsh landscape.
- Trains should be adopted by the relevant local organisation with which the train has an association
- Additional space for luggage and buggies; space for at least four bikes per train
- On-train literature aimed at the tourist market.

Staff

Staff should be encouraged to play an active part in the running of Rail Cymru and also in local community life. Where staff are involved in community activities they should be able to apply for small grants to help their community group. Ensuring high levels of customer service should be an integral part of the training received by all staff. Ways of actively involving staff in the running of Rail Cymru are outlined below.

Service Development

The existing pattern of services that Rail Cymru inherits would provide the bedrock for future development of the network. Nobody would suggest that the existing network is perfect and Rail Cymru should work closely with the Welsh Government, Network Rail and the wider community to develop a network that is a major improvement of the current one.

Most services already have a reasonable frequency but there are some routes, particularly in more rural areas, where frequencies are poor. A medium-term objective (2023-2028) should be to achieve a bedrock minimum frequency of at least an hourly service on all routes, including West Wales, Heart of Wales and Conwy Valley. On busy commuter routes including the core Valleys network, a 15 minute frequency should be aimed for, with strong integration with bus services (see below).

Rail Cymru's services would clearly continue beyond the Welsh border and nothing in this report should be taken to suggest that services would be pared back to the borders of Wales. The Welsh rail network extends to the major English cities of Manchester, Bristol, Birmingham and Wolverhampton (and London in the case of Great Western) and these links are of crucial importance to the Welsh economy. A direct service to Liverpool, with historically strong connections to Wales, should be considered, via a re-opened Halton Curve to allow services to run via Chester and Helsby to Runcorn, Liverpool South Parkway and Liverpool Lime Street.

An Integrated and Developing Network

Rail Cymru would inherit a dynamic Welsh rail network, with improved frequencies, re-opened lines and an on-going programme of electrification. As suggested above, the Welsh Government should produce its own High Level Output Specification to bring it into line with Scotland. This would specify the outputs for Network Rail and Rail Cymru, but there would be opportunities for Rail Cymru to influence the thinking of the Welsh Government in expanding the network.

Over the next few years there will be some logic in extending electrification, not least for freight, further into West Wales – particularly Milford Haven. The busy 'north and west route' from Newport to Shrewsbury and Crewe is a strategic corridor for both freight and passenger and would be an obvious future contender for electrification.

For re-openings, the most obvious lines have been done. A remaining contender – highly contentious – is the strategic link north from Carmarthen to Aberystwyth. Bringing a railway back to Brecon is another long-term aspiration that should not be dismissed, whilst recognising its challenges. An easier re-opening would be the short branch from Bangor to Llangefni. More challenging but potentially useful is the missing link from Bangor to Caernarfon and Afon Wen/Criccieth.

The key issue in the short term is developing an integrated coach and rail network, building on the existing Traws-Cymru operation. However, closer integration with rail services, including through ticketing, booked connections and shared branding with Rail Cymru will offer a truly pan-Wales service. Key routes are/could be:

- Carmarthen – Aberystwyth
- Machynlleth – Llanidloes - Builth Road/Builth - Brecon – Merthyr
- Ruabon – Llangollen – Dolgellau – Barmouth
- Rhyl – Denbigh – Corwen – Machynlleth

The governance of Rail Cymru

Ensuring the right governance structure of Rail Cymru will be vital to its success and would be a responsibility of the Welsh Government as part of its role in creating the arms-length company. There are many important stakeholders in a railway operation who would need to be represented. They include employees, passengers, government, and other rail industry partners including Network Rail. Rail Cymru should strive to include all of these interests in its governance but bring in specific expertise where necessary.

The proposal in this paper is for a three-tier structure that ensures balanced representation across Wales and the Borders and ensures a tight management structure at the top. This would be:

- Rail Cymru Board
- National Stakeholder Forum
- Area Stakeholder Fora

The local end of the structure would be based on area stakeholder boards (ASBs), to include employees, local managers, local authorities, passenger groups, community rail partnerships, Network Rail and other relevant rail industry bodies.

These would be:

- North Wales
- North-West England
- Shrewsbury and Mid-Wales
- Cardiff and the Valleys
- West Wales

A typical membership, for example North Wales, would include – in addition to employees as per below – representatives of the local authority transport partnership TAITH, Network Rail's senior manager for the area, other transport operators, the CRP for Conwy Valley Line and two or three business representatives, possibly with a tourist emphasis. It may also be appropriate to have Assembly Members on the ASB as well.

The ASB would have considerable influencing power. It would have a strong say in service delivery in its area but also look at opportunities for widening Rail Cymru's profile in the local community. It would ensure that Rail Cymru delivers on its obligations and also help ensure that as much procurement of goods and services is as local as possible.

The 'national' board would cover the entire Wales and Borders network and include representation for employees. There might also be representation (not necessarily one person – could be more) from:

- Welsh Government
- Joint transport partnerships of local authorities
- English shires/unitaries/TfGM
- Passengers
- Community rail partnerships
- Business community
- Individual experts nominated by the Welsh Government

The national stakeholder forum would be empowered to discuss issues of strategic importance to the company and from its number it would appoint members (non-executive directors') of the board. This would have day-to-day responsibility for the running of the business and be chaired by the managing director. Its members would include executive directors (see below) and non-executive directors nominated by the national stakeholder board.

Management of Rail Cymru

The proposed management structure of Rail Cymru would, to a certain extent, reflect that of other train operating companies. It would include:

- Managing Director (appointed by a recruitment panel from the national stakeholder forum)
- Commercial Director
- Engineering/Fleet Director
- HR Director
- Safety and Security Director
- Community and Sustainability Director
- Operations Director
- Development Director

The business should have a focus on the distinct markets it serves and would include area managers for the five areas identified above (North Wales, English Shires, Shrewsbury and Mid-Wales, Cardiff and Valleys, West Wales).

Managers will be primarily recruited from within the railway industry; with most being TUPE'd across from the previous franchise. It would be important that the new management team be encouraged to develop a firm commitment to the public service and co-operative ethos of the Rail Cymru. However, Rail Cymru would need to bring in new areas of expertise which reflect the company's co-operative ethos in areas such as procurement, sustainability and community engagement.

Remuneration of managers should be based on current rates within the industry but the company should set its face against excessive bonuses for senior managers and directors, which do little other than create resentment amongst staff and customers.

Rail Cymru and its employees

Rail Cymru would inherit most of its employees from the previous franchise, under TUPE rules. Many jobs within the railway industry, e.g. drivers, require many years of training and that generates a high degree of commitment and dedication to the job. Rail Cymru would aim to encourage that dedication amongst both the employees it inherits and new entrants. The proposed new structure would give employees a much stronger stake in their company. Unlike a private 'for profit' company there would not be shareholders whose prime interest was the return on their investment; they would be part of an owning community that includes the Welsh Government, passengers and employees.

Having staff on company boards is not new. Many large companies have employee directors but often this does not go beyond tokenism. What Rail Cymru should address is ways in which staff at all levels feel they are actively involved in their company.

The suggestion is for an area-based 'all-grades' structure that would recognise the nature of the Wales and Borders network and ensure that staff are actively involved. It could be based on the following geographical areas:

- North Wales; primarily based on Llandudno Junction but including station and train crew from Holyhead and as far east as Shotton
- Chester/Crewe and Manchester: station, depot staff and train crew
- Mid-Wales Shrewsbury to Aberystwyth and Machynlleth, Barmouth, Pwhelli
- Cardiff and Valleys: station staff, train crew and depot staff
- West Wales: Swansea and everything west

Each area would have an area forum, which was open to all employees and met every three months. The area forum would elect a representative number of staff to sit on an area stakeholder board with senior managers and community/passenger representatives to discuss issues relevant to the area, but not including HR issues. This would continue to be the preserve of the existing machinery of negotiation.

The area forum would also elect one person to sit on the Rail Cymru board, making a total of four. The area fora would discuss anything and everything related to Rail Cymru - other than HR - and feed its views in to the relevant area stakeholder board. The remit of the area boards is discussed below.

Rail Cymru and its passengers

Finding effective ways of involving passengers is possibly the most difficult challenge of the new company. There are 'rail user' groups on routes in various parts of Wales but the network is not as dense as in parts of England. Community rail partnerships are not 'passenger' bodies as such though they do involve them. Passenger Focus is an important statutory body but does not have 'Welsh' representation per se.

Based on the suggested 'area' structure, an appropriate model, which is bound to be messy and require flexibility, might include:

Area Stakeholder Board

- One or more representatives from community rail partnerships
- One or more representative from rail user groups in the area
- Up to five passenger representatives nominated by passengers themselves

In the latter case, the suggestion is that advertisements be posted for passenger representatives for the ASBs and people invited to submit nominations (which could include themselves). Criteria should include:

- Evidence of reasonably regular use of rail
- An understanding of the objectives and ethos of Rail Cymru
- A willingness to engage with fellow passengers to identify their views on the service

The selection should be done centrally with the recruitment panel selecting passenger representatives that give the ASB a good balance of age, gender, ethnicity and social class. The composition of the recruitment panel itself should reflect the diversity which it will be charged with ensuring in the stakeholder boards.

Rail Cymru and the wider community

Ways of involving community groups and local authorities have, to a certain degree, been covered in the above sections. However, these are important constituencies and need some careful consideration.

The Welsh local authorities have their joint transport partnerships, e.g. TAITH, which bring a strategic focus to transport in their respective areas. They are the obvious bodies to involve in the area stakeholder boards but it is also important to ensure that economic development and tourism is represented. So in some cases with the ASBs, a specific place should be reserved for economic development and tourism from one or more of the districts.

Community groups are another very important, and by their nature dispersed, constituency. In most parts of Wales there are federations of voluntary groups, such as the Gwent Association of Voluntary Organisations, Pembrokeshire Association of Voluntary Organisations, etc. These would be the obvious bodies to be represented on the ASBs.

However, it is important to stress that Rail Cymru itself should reach out into the community and be involved in community initiatives, sponsor community events and have a very high visibility. To this end, a Rail Cymru Community Unit should be established, part of whose role is to support the work of the community rail partnerships, but also to have a direct community presence, for example in areas where a CRP does not exist. It should also have a very high internal profile encouraging employees to get involved in community activities, including managing a company-wide 'day off for your community' as outlined above.

The Community Unit would work closely with other parts of the business to identify suitable premises for community use and suitable community tenants.

There should be a strong commercial element to Rail Cymru's external activities. Procurement policies should encourage the company to buy goods and services as locally as possible, with particular encouragement towards using social enterprises operating broadly within the area of Rail Cymru's own operations.

Conclusion

If this vision of an arms-length not-for-dividend company is seen by the Welsh Government as the appropriate way forward to run rail services in Wales post-2018, it will require public investment by the Welsh Government including legal advice and a wide range of assistance on aspects of building the company. There should be a debate within Wales about what 'Rail Cymru' should be, its functions and its role in the community. This need not be a rushed exercise. The current franchise ends in 2018, allowing nearly five years to put new arrangements in place.

Much will depend on political factors – above all, the outcome of the next General Election and the willingness of a Westminster Government to cede not only powers and funding to the Welsh Government but also a willingness to make significant amendments to the 1993 Railways Act to allow Wales to choose whether or not it goes for a franchising approach or the course outlined here. The proposed company may or may not be seen as a 'publicly-owned' company; the simplest approach in legal terms would be to remove S.25 of the Railways Act altogether so UK-based publicly-owned (or part-owned) companies can operate commercial rail services.

There is no doubt that Rail Cymru would be a politically radical move, but one that would command strong support within Wales and beyond. It would most certainly offer insights and opportunities to other parts of the UK – most obviously Scotland but also to the North of England. The Welsh Labour and Co-operative Parties, with their partners in the trades unions and community organisations, have an opportunity to put themselves at the forefront of a debate which stretches far beyond Wales, or even the UK.

About the author

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Paul is a well-known and highly respected rail professional with 35 years' experience in a wide range of sectors and disciplines. He is a visiting professor at the University of Huddersfield, in Transport and Logistics. He was elected councillor for Golcar Ward, in Kirklees, in the May 2012 local elections. His consultancy, based from home in Golcar, trades as 'The Railway Doctor'. He originated and developed 'community rail' and was directly involved in the establishment of over twenty community-rail partnerships which have led to increased usage of local and regional railways and additional investment. He founded the Association of Community Rail Partnerships, a UK federation of community groups, which is still based in Huddersfield.

He pioneered new approaches to rail development in the UK including the 'eco station', 'music trains' (first of all on the Penistone Line) and 'cyclepoint' in Leeds; he set up and chaired the Northern Rail Cycle Users' Forum when he was Head of Government and Community Strategies at Northern Rail (2005-10). He has substantial experience as a writer and public speaker with a strong commitment to social responsibility and sustainability. He is honorary patron of REPTA – the Railway Employees' Privilege Ticket Association, founded in 1893. He was awarded an MBE in 2008 for 'services to the railway. Paul is General Secretary of the recently-formed 'Hannah Mitchell Foundation', a North of England-based lobby group aiming to stimulate debate on devolved government for the North of England.

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ISBN 978-0-9559737-4-1

Published by
The Co-operative Party
77 Weston Street
London SE1 3SD

£5.00