

# **Crisis on the Railways: an Opportunity for Co-operation**

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The placing of Railtrack into administration has catapulted the debate on not-for-profit solutions to the shambles of rail privatisation into the mainstream of political debate. It has raised the possibility of applying co-operative principles to some aspects of railway operations and infrastructure ownership. The chief executive of the Co-operative Union, Pauline Green, has urged secretary of state Stephen Byers to consider a 'co-operative' solution to the new structure of Railtrack.<sup>1</sup>

Can the principles of co-operation be applied to the complex world of railways? There is no reason why they cannot be. There have been several examples in the bus industry of co-operatives, or ESOPs, running major undertakings - though several were ultimately bought out by large private shareholding companies. Some community transport operations are structured as co-operatives, though most are simply run as companies limited by guarantee. Perhaps what frightens off many people from the idea of co-operatives is the image of the 1970s-style 'workers' co-op' where everyone had an equal say in the management of the business, and half the time of the organisation was spent in debating what should be on the canteen menu. A parody, of course, but there's always a danger that a workers' co-operative will focus too much on the interests of the staff, and not so much on the needs of its customers.

In the context of public transport, there should be scope for developing a company structure which gives the staff a high degree of involvement and 'ownership' together with forms of consumer involvement. Some of the early 'light railways' in parts of rural England were financed by local share issues which encouraged many people in the area served by the line to feel that it was 'their' railway.<sup>2</sup> Today, many heritage railways have highly democratic structures which ensure both the small number of paid staff, and the volunteers and general supporters are involved in the management of the railway - even if it means no more than attending the annual general meeting.

The current crisis on the railways offers an opportunity to the co-operative movement to take the application of sustainability principles forward by leaps and bounds.

## **The case of Railtrack**

Although Stephen Byers is being pressed by the Co-operative Union to consider a 'co-op' solution for Railtrack, current political realities make it hard to imagine it happening. There is enormous pressure from the City and parts of the media to ditch the company limited by guarantee strategy, and hand the business over to yet another private sector company. The Centre-Left needs to line up behind the company limited by guarantee approach, and not risk losing the case by arguing over what sort of 'not for profit' company. The structure proposed by Byers offers probably the best scope to balance commercial incentives with wider social and economic concerns.

Railtrack is a large national organisation which needs strong management, able to take decisions quickly. The proposal to have a small executive board, with a larger and more representative 'stakeholder' board makes sense. Various interests, including trades unions, passenger groups, etc. can be involved in the stakeholder body. The operational staff need to be strongly valued by the new company, and this can be best achieved by developing forms of employee consultation which take staff views seriously. The co-op option is probably too much for the Government to contemplate politically right now. This isn't to say that a co-operative would not work in the future, or that some of Railtrack's suppliers (e.g. specialist design teams, track maintenance companies) could not themselves be structured as co-ops. Remember - Railtrack doesn't run trains; it owns and manages the infrastructure, i.e. track, signalling, tunnels, and bridges. It's *train operations* where we really need a strong passenger input.

## **Opportunities on the rural network**

The best opportunity right now for a co-operative solution lies in the more peripheral parts of the network, particularly the rural branch lines which are heavily subsidised. These have suffered over many decades through lack of management focus and attention, leading to services operated with the bare minimum of facilities: de-staffed stations, minimum service levels, reduced track capacity, and staff who are based at a main depot miles from the communities served by the line, with little commitment to the local service. Doing anything to promote these lines is usually low down the list of management priorities.

The position has improved on some lines, with the establishment of *community-rail partnerships*.<sup>3</sup> These bring together train operators, local authorities, community groups and local businesses

to support and promote particular lines. Through a combination of community involvement, good marketing, improved bus and cycling links, several lines have started to prosper again.

Yet more could be done. The traditional problems of low management priority, and staff working the line who don't live in the community, remain. In contrast, many rural lines in Germany, Switzerland and Holland have benefited from locally-based ownership and management. In the case of Germany, this has been closely related to the regionalisation of public transport and German Rail's desire to divest itself of loss-making rural lines. The regional governments now put local rail services out to tender, and many contracts have been won b/ locally-based companies, many of which are municipally owned.

### **A British model of railway co-ops**

The work done by Transport Research and Information Network/ Association of Community-Rail Partnerships (TR&IN)<sup>5</sup> on 'microfranchising' offers a way forward for many rural lines, and small networks of lines, in the UK. Microfranchising is a means of bringing local management back to local railways, within the context of current railway legislation and procedures. Within a large passenger franchise, a particular line or group of lines could be sub-contracted to a local operator, to run the train service within the parent train operator's safety case and license. This would have the advantages of bringing real community ownership to the line, with a local management fully committed to that particular line. It would mean staff feel they are part of a small family, enjoying a real say in what happens. Passengers would see the railway is a valued part of their community - and make use of it.

A co-operative structure would be ideal for this type of company, involving both staff, passengers, and the wider community. A typical microfranchise would probably, in the early stages, employ between 20 and 40 staff: a manageable number for a co-operative which places store on employee involvement. A management board could be appointed by the democratic votes of staff (say, three places), passengers (three places), and non-voting representatives of the parent train company and the local authority. This would closely resemble the composition of an existing community-rail partnership, but with much greater powers. All workers would be members of the co-operative, with voting rights. Passengers would be invited to join the co-operative, entitling them to voting rights and special offers available only to members (e.g. a discount card for use on train services and possibly at other local co-op shops.)

## What would a co-op microfranchise do?

The studies done so far by TR&IN suggest that simply operating the train service would not maximise commercial opportunities: the local company should go for as much as it possibly can get hold of in terms of railway infrastructure management, as well as peripheral activities. Firstly, this means taking responsibility for infrastructure maintenance and light renewals. The track stays under Railtrack ownership, but management is leased to the local company, just as the train operation is sub-contracted from the larger train company. By having both train operations and infrastructure management under one roof, the local company can start to provide a substantial local employment base. Instead of drivers, conductors and track workers living miles away from the line, they are actually based, and live, in the community served by the railway.

The issue of developing peripheral activities is one which an enterprising local railway company could energetically develop. An obvious area is bus services feeding into stations along the line, to give more remote communities access to the railway. It could also provide leisure-related services including:

- Links with hotels and bed and breakfast services
- Catering (on-train and at stations)
- Tourism packages with other local businesses (and Travelcare)
- New commercial uses for station buildings
- By being based locally, the company would be able to purchase many of its goods and services from other local companies, further strengthening the local economy. Sustainability starts to become less of a pipedream, and more of a reality
- Developing co-operative democracy

Involvement of both workers and consumers in running a service should be a key element of sustainability. The proposed board, elected by workers and passengers, would give local people a real stake in the railway.

As the staff complement would be relatively small, there will be scope for general meetings of all staff to raise issues of concern, as well as get feedback on current issues from the board. Passengers should be involved through regular newsletters, information sheets on trains and at stations, and also through open forum meetings where the elected board members representing passenger interests would attend. Active involvement of the community, through station adoption schemes, community arts, schools projects etc., would be encouraged.

## **The wider links**

As part of the co-operative movement, the railway should build close links with, for example, local co-op stores. Whitby station, on the Esk Valley Line<sup>6</sup> is next door to the Pioneer Store. Customers and staff could be encouraged to get to and from the store by train, with discounted fares and reciprocal deals. The railway company could purchase catering supplies at a discount from co-op suppliers, and . advertise co-op products on the train and at stations. Travelcare could be involved in developing packages for tourists visiting the area, as well as using the railway as a gateway to other holiday destinations for local residents.

## **Starting from here**

The Railtrack debate has opened up an opportunity for the co-operative movement to get involved in railways: though the way forward suggested here is perhaps different from what some leading co-operators have considered so far. There many options to be looked at, but focusing on the rural railway network, and developing some practical examples of good practice, makes a lot of sense.

The advantages for the co-operative movement are that co-operative principles can be imaginatively applied to a new area of activity, with enormous potential for development. The multiple benefits of running a railway operation with potential to develop and diversify, and create mutually beneficial links with the co-operative movement, are enormous. For the rural rail network, a co-operative structure provides a local, community-based solution with the protection of being part of a large and supportive family network.

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## **Notes**

- 1 'Your Society' Winter 2001, and 'Co-operative News', November 2001
- 2 See 'Branching Out: railways for rural communities' P Salveson, TR&IN, 2000
- 3 The Association of Community-Rail Partnerships is the national federation of community-rail partnerships. It currently has 33 member organisations spread across the UK and is funded by the Countryside Agency and the Strategic Rail Authority.

- 4 See 'Branching Out' above, and P Salveson 'The Community Railway: Britain and the Wider Europe', TR&IN 1996
- 5 'Microfranchising: Decentralised Options for Secondary Railways' P Salveson, TR&IN, for Strategic Rail Authority, 2000
- 6 The Whitby - Middlesbrough Line is already developing as a pilot for a microfranchise, with the active involvement of several local partners. An Esk Valley Railway Development Co has been established recently as a not for profit company.