

SUBMISSION BY THE SOUTH BRANCH OF RAILFUTURE CYMRU [on behalf of the 3 branches of Railfuture Cymru], part of RAILFUTURE UK.

PART 1

We apologise for the length of this submission – but to answer adequately the comprehensive nature of the questions/subjects posed by the Committee, we feel that it is essential that members have available a full explanation of the major transformation in Welsh rail transport that we advocate.

Turning to the ` Consultation: `The future of the Wales and Borders Rail Franchise`

1. “Whether the current franchise meets passenger needs and what lessons should be learnt from it.”

“Current service levels to be maintained.” This was the basis of accepting the franchise, i.e no planned improvements. Astonishing. [See `Railways: passenger franchises` . SN1343 March 2013, House of Commons Library].

And bear in mind that, over the course of the franchise it is estimated that the subsidy paid to ATW will be £1.68 billion, [See **Rail Transport in Wales**, Section 2.5, Part 2], a good proportion of this leaving the industry in the form of dividends to shareholders and remittances to the German owners, to say nothing of the horrendous costs involved in applying for and obtaining a franchise.

2. “How passengers should be involved in the franchise development and delivery.”

Assuming we in Wales successfully set up a government-owned rail company, there will be no franchise. However, passenger/freight customer input will be still be vital - See 3,7 in the document **Rail Transport in Wales**.

3. “The management model to be adopted...” Yes, we advocate a government-owned, arm`s length, not-for-dividend [and vertically integrated] Welsh rail company. See RTW [**Rail Transport in Wales**].
4. As far as the other questions are concerned, we refer you to our comprehensive DEVELOPMENT PLAN FOR WALES which, at the time of writing, should be published by late September and will be available to all AMs thereafter.
5. What follows this brief response is the main document, **Rail Transport in Wales**. It is reproduced with a short introduction as to its genesis and

has been slightly added to since its original publication some 4 years ago – when every AM then received a copy, together with the rail unions and other interested parties. Part 1 [pages 1-4] state what we want and why; part 2, the rest of the document, provides some evidence for the statements in Part 1: the section numbers in Part 2 match the section numbers in Part 1.

6. One of our experts has also researched in some detail many of the legal aspects involved in taking over the rail operations from both the track company and the TOC; this is quite long and not provided here.

What follows is an attempt to envisage a positive, constructive framework within which Welsh Rail can thrive. We did not choose the cumbersome, financially wasteful system imposed on us. What if our Cardiff Bay government could begin again with a blank piece of paper...? While the January 2010 WAG Enterprise & Learning Committee Report contained much to praise, the fact remained that it assumed we try to improve services within the present flawed system with all its constraints.

RAIL TRANSPORT IN WALES

A Railfuture Cymru Plan.

1.1 The importance of rail transport in Wales should be accepted and safeguarded by all political parties and transport interests. There should be acknowledgement of the key role rail can play within the context of the Welsh government`s statutory requirement to promote sustainable development and its carbon reduction obligations. The Welsh government also has the political ability to put more weight on the social, economic and environmental aspects of transport than does the Westminster government.

1.2 There should also be recognition of the role a gradually developed and rebuilt integrated Welsh passenger rail and long-distance bus network can achieve in helping to unite all parts of Wales, north, midlands and south, so redressing somewhat the social, political and commercial north-south divide that developed in the past.

To these ends.....

2.1 We reject the current privatised organisation of the railway business whereby one company is responsible for the infrastructure and pathing rights, others control the carriage of freight and a plethora of private companies

control stock leasing, stations and passenger services. It has become increasingly unacceptable for several reasons:

2.2 It is excessively complicated.

2.3 Acquiring a franchise involves a wastefully expensive bidding process often leading to overly ambitious income forecasts and service commitments merely to ensure success in the bidding.

2.4 The payment by some TOCs of a share of so-called profits back to the Exchequer can lead eventually to undue pressure to cut back on aspects of passenger service.

2.5 Not only are vast sums of money consumed by the bidding for franchises, but also by the fact that private companies have a duty to satisfy shareholders, which entails huge sums of money being lost to potential re-investment in rail transport.

2.6 There is a feeling that as far as there is any vision for rail in the Department of Transport/the Cabinet, it remains anglo-centric, if not London/south-east England centred.

2.7 The principle of competition underlying much of the privatisation political dogma has been proved to be a mirage. British Rail`s synergy has been lost: planning is fragmented; the building of locomotives and rolling stock has been lost to other countries; it is more difficult to achieve integrated transport; the existence of separate passenger companies has led to a more complicated system of fares.

2.8 The principle of competition exists - but it should be recognised as competition between **modes** of transport, **not** between passenger train operating companies as the then Conservative government stated when implementing privatisation: when planning a journey, many people have a choice of transport, between their car, a bus, a plane or a train - just as someone dispatching freight usually has a choice of modes of transport.

2.9 A Welsh government-owned railway, with the day-to-day running handed to an `arm`s length` operating organisation, would be better able to implement plans for transferring more goods to rail and persuading more car-drivers to use rail - by putting in place an attractive level of service that will in itself persuade travellers to resort to rail, rather than belatedly making improvements in the light of over-crowding or responding to long, citizen-led campaigns to re-open lines etc.

2.10 A State-owned railway service would also be better able than private companies to weather the effects of any temporary economic downturn, for example, a temporary reduction in ticket revenue.

3.1 **Therefore**, decisions regarding the nature and level of passenger and goods rail services in Wales should be made by the people of Wales via their elected representatives on appropriate Welsh-based bodies.

3.2 The Welsh Government should have responsibility for financing Welsh rail services but the operation of the passenger services should be carried out by a vertically integrated body (within the context of EU rules) solely responsible to, and wholly owned by, that government.

3.3 Where sections of routes - e.g. the borders line through Hereford, the Wreccsam-Bidston line - run through England, decisions as to service levels and track maintenance etc. would (as now) be subject to liaison and agreement with the appropriate England-based authorities or companies.

3.4 The above would not exclude the running of joint cross-border services (between the Welsh operating company and English-based train operating companies) on, for example, the lines to and from London. However, matters of service and fares would need joint agreement and be subject, as far as possible, to the principles of service specified by the Welsh government.

3.5 The single passenger operating body should be free to run the services in accordance with the principles and guidelines determined by the Welsh government. The general manager/chief executive of the operating body should be appointed by the Welsh government.

3.6 While the Welsh government should continue to do all in its power to promote the transfer of goods from road to rail, rail freight services could either continue to be operated as they are currently, with the freight operating companies paying an appropriate charge for paths, track maintenance etc. to the vertically integrated operating body, or Welsh Rail (or whatever it is called) could operate freight services as did British Rail.

3.7 It would be essential that passengers and freight customers feel they have a clearly laid down, easily accessible, channel whereby they can make known their requests for changes and improvements or their complaints. This could be achieved, for example, either by ensuring that the rail unions, voluntary user-groups and individual passengers have a voice on the existing regional consortia {TAITH, SEWTA etc} or by regular regional meetings of, for example, Passenger Focus Wales, or any future consumer body representing all modes of passenger transport, meetings which could also be attended when

necessary by representatives of the government and train operating organisation.

3.8 The type of passenger rolling stock for each type or length of journey should be appropriate for the end-to-end journey time of passengers. In other words, the level of comfort, provision of tables, refreshments and other on-board services should reflect the distance and type of passenger using such services - for example, short-distance, peak-hour commuter; long-distance tourist or businessman etc. And except perhaps for peak-hour commuter services, each passenger should normally *expect* to get a seat.

4. With greater powers, the Welsh government would also find it easier to encourage Welsh towns and cities to invest in light rail, for example, an extensive tram network for Cardiff, both linking the city centre and the Bay, and also integrated with suburban, heavy rail services.

John D. Rogers
January 2009

Revised March 2010 & Sept. 2012.

BACKGROUND INFO

I hope that by producing this document we can enkindle discussion that can lead to something much better than we have now. All Members of the Welsh parliament received a copy prior to its launch at the 2010 AGM of the south branch. A third section was added in 2011 following exhaustive research by Phil Inskip on the processes of such a changeover. The 4 party leaders then received this revised copy of the Plan.

In a meeting with 3 of the government rail civil servants (Parc Cathays) on March 22, 2011, we were told that if a Welsh government wished to adopt our Plan, possibly to take effect after the ATW franchise runs out, it would need WAG and the DfTr sitting around a table to hammer out an "agreed position". Then it could be implemented, all the easier if there is an NR Wales organisation by then. However, the DfTr COULD block the Plan; what could happen then, I am not sure). JDR

[The numbers below match the numbered points in the document].

2. "The real difficulty is that not everywhere is that same sense of public duty the predominant feeling. Had you asked any of us who we worked for we would all have said, The Railway.

Now ask anyone on the trains or track and they will say: First Group, Virgin, Jarvis, Network Rail, Stagecoach...."
[Peter Rayner, former BR operations & safety manager. `Railwatch` April 2009.]

Unlike Scotland, the rail infrastructure in Wales is maintained by Network Rail that at times appears to have different priorities from those of the regional transport consortia and the Welsh Assembly Government.
[RAILFUTURE Wales southern branch internal document].

In some cases, improved integration and connectivity can improve the competitive position of public transport in the round against the private car. Arguably the greatest distortion in the transport market is the under-pricing of many car trips, which do not pay the full economic and social costs of the congestion and pollution that they create.
[Commission for Integrated Transport, `Competition Issues in Rail Franchising`, September 2006]

2.1 In 1991, the EU issued **EU Directive 91/440** requiring all EU member states to "separate the management of railway and infrastructure from the provision of railway transport services, separation of accounts being compulsory and organisational or institutional separation being optional," the idea being that the track operator would charge the train operator a transparent fee to run its trains over the network, and anyone else could also run trains under the same conditions (open access). **The Directive did not require that the railways be privatised; it was principally an accounting means of ensuring a level playing-field for incumbent train operators and new companies entering the market.**

As of 2004, Ireland and Greece have yet to comply with Directive 91/440 and its successor. And Northern Ireland Railways are still run exactly as was British Rail.

After the 1992 election was won by the Tories, BR strongly advocated privatisation as one entity, a **British Rail plc** so to speak. The Treasury, influenced by the Adam Smith Institute think tank, advocated the creation of 7, later 25, passenger rail franchises as a way of maximising revenue. The Treasury view prevailed. The 1993 Railways Bill broke up BR into more than 100 separate companies. (British Rail was not allowed to bid for any privatised services).

In July 2006, the Conservatives` shadow transport spokesman, Chris Grayling, admitted that the 1996 split of the rail industry into track and train components was a mistake which had increased costs. "We think that the separation has helped push up the cost of running the

railways - and hence fares - and is now slowing decisions about capacity improvements.... the industry lacks clarity about who is in charge and accountable about decisions."

Some observers, including the head of the **Swiss Federal Railways**, still argue that the whole idea of separating track from train operations in this way is fundamentally misconceived, being based on the model of air transport, where the infrastructure, engineering and operational considerations are entirely different. On this view, the rail/wheel interface is an integral entity at the heart of what makes railways function, and hence the worst possible point at which to make a split, especially on an intensively worked but multi-functional network such as Britain`s.

[With acknowledgement to Wikipedia]

Gerald Corbett said: "The railway was ripped apart at privatisation" and the resulting structure was designed to maximise the proceeds to the Treasury, not safety or investment.

[BBC News website, 20/10/2000]

"Bill Bradshaw, a transport academic who for many years had been a senior BR manager, wrote that the proposal to establish a separate track authority contradicted all principles of railway operation and was `likely to result in an outcome which will be unsuitable, expensive and unsafe.`"

[`Off the rails` by Andrew Murray, pub. by Verso 2001]

All this direct command, this vertical integration, this local control of daily events, was crushed by a mass of Byzantine systems in 1994, created by men and women who believed that they were so clever that that they could run anything even when they had never done it before. They remind me of nothing so much as children who decide that the clock on the wall, ticking away and telling the time, would be improved if they cleaned its works. Having dismantled it they find that they are unable to restore it. The outcome will be to take the bits to some skillful old man who has spent his life studying clocks and he will put it back together. Thousands of dedicated railwaymen hope that their industry will be put back together.

[`The Greatest Railway Blunder` by ex-railwayman Adrian Vaughan, published in 2009 by Ian Allan.]

2.2 It (i.e. the government) wants coordination and yet continues to operate a system of fragmentation. Finally the government wants the private sector to invest, take risks and innovate and yet it prioritises price above all of these. There is scant evidence that the current model balances and optimises the benefits from conflicting priorities. It looks more like a muddle that provides

little more than a complex, costly and mediocre means of maintaining the status quo.

[Section 12 of `Passenger Rail Franchising` published by the House of Commons Transport Committee, their 14th Report, on November 5, 2006].

The objectives of the passenger rail franchising system are a self-contradicting muddle, providing no coherent framework or vision for the development of passenger services for future generations. The result is a system that is worth less, and costs more, than the sum of its parts.

[Section 15 - above].

Another example is the cost of industrial action where the Government compensates track access operators for losses incurred. The SRA paid out £15.65 million in 2003 and £7.63 million in 2004. One operator alone, National Express Group, was paid £12.65 million in respect of disputes on its ScotRail franchise.

[Section 18 - as above].

The transfer of risk to the private sector was a core objective of privatisation. But in the present system only a very limited proportion of risks are, in reality, borne by franchise operators. There are also significant inconsistencies about what risks are borne by operators, and which by the Government. The relative lack of risk transfer calls into question the fundamental assumptions and objectives of the franchising system. If risk is not transferred, there is little point in involving the private sector in the running of the railways.

[Section 25 - above].

There is also a view within the industry that the creation of so many privatised entities has exhausted the supply of high-quality managers that the industry needs to be successful.

[SRA Franchising Policy Statement, November 2002]

We are firmly of the view that the current franchising regime is fragmented, financially opaque, poor value for many and provides the train operators with no incentive to commit long-term investment in station upgrades, improvements and enhancements. In short, the current arrangements have failed the travelling public.... passenger franchises should be returned to the public sector.

[RMT Submission to (Westminster) Transport Select Committee Inquiry into Passenger Rail Franchising]

The rail franchise process is expensive, inconsistent and laborious.

[Commission for Integrated Transport, September 2006]

In his editorial in RAIL [Issue 707, Oct. 2012], Nigel Harris reported that the bids for the west coast mainline had to be delivered to the Secretary of State in a lorry, they were so heavy and massive.

Writing about the WCML fiasco in 2012, Christian Wolmar said: "The very fact that the errors were the result of new aspects of the franchising process, adding to its complexity, highlights why the whole structure is unworkable... Nor has the right length for a franchise ever been determined, to enable a satisfactory answer to the Wolmar question: 'What is franchising for?'"

[RAIL 707, October 2012].

2.3 Passenger Focus was concerned that the trend towards franchises paying premiums would be to the detriment of passengers because operators would cut services in order to meet their premium obligations...

We are concerned that the drive to extract premiums from some parts of the network will result in further above-inflation fare increases and a deterioration in customer service, investment and innovation.

[House of Commons Transport Select Committee, Sections 52 & 58, November 2006].

Although it was accepted that most franchises would require some level of subsidy, the broad principle was that the bidder requiring the least subsidy was regarded as offering best value for money, and therefore won the franchise. While this approach could be said to have the merit of awarding franchises to those with the greatest appetite for business risk, with the benefit of hindsight this has not delivered the outcomes contemplated at the time of privatisation.

[SRA Franchising Policy Statement, November 2002]

As we said three years ago, the current system of rail franchising is a muddle. Within, just three years, two franchise operators have had to abandon a major franchise - both of them on the East Coast Main Line.... we remain convinced that these two high-profile failures are indicative of the underlying problems of the current franchising model.

[Section 7, House of Commons Transport Committee, `Rail fares & Franchises`, 8th Report of Session 2008-9, July 27 2009]

Many more franchises may be struggling to meet their required financial agreements, without our knowledge. Any additional failures in the franchise system, coupled with risk sharing, will inevitably cost the Government considerable sums. We are deeply concerned about the impact this could have on the funding for other transport projects.

[Section 8 - above]

There is no point in involving the private sector if it simply takes the profit in the good times, leaving the tax-payer to pick up the tab in the bad times.

[Section 13 - above]

According to ATOC, the Dept spends £24m a year on consultants to oversee the franchising system.

[Christian Wolmar, RAIL 631 (2009)]

(Also relevant to 1.5 et al) The London-Edinburgh route (east coast National Express franchise) made an operating loss of £23.6m last year, but that was due to £50.9m of exceptional costs related to the looming demise of the contract. Strip out the one-off costs and cancel the franchise payments of £60.1m that were made to the DfT last year, and the franchise made an operating profit of about £90m.

[THE OBSERVER (Business section) 22/11/2009].

2.5 Atkins plc`s rail-related profit for the year to March 31 2009 was £17 million - money that could have remained within the industry, reducing costs, financing improvement...

[RAIL 621]

ARRIVA: 6 months to 30/6/08 Operating profit £14.8 million Interim dividend up by 10%

FIRST GROUP: 6 months to 30/09/08 Operating profit £48.3 million Dividends totalling £55.5 million paid in 2007

Again, money that under a BR-type organisation would have stayed within the industry.

[Memorandum from RMT to House of Commons 2009 Transport Committee Report]

But with some operators entering into very high premium contracts on the basis of very optimistic growth forecasts, it is likely to be a question of time only before the government has to show its mettle... Operators would be able to produce over-optimistic revenue forecasts and bid wild sums to run franchises, safe in the knowledge that the Government would bear the full risk of any failure to meet the forecast revenue figures.

[Section 21 - `PRF` pub. by House of Commons Transport Select Committee 2006]

Between April 2001 and April 2004, the SRA had incurred total costs of £40.7 million on franchise replacements and extension.

[Section 59 - above]

Govia said that it was now common for bidders to pay £2 million in consultancy fees to prepare a franchise bid. Its bid had consisted of 22 lever arch files, all of which had to be submitted to the Department in six copies....

[Section 60 - above]

`Railways Illustrated` [October 2012] reports that Virgin claims to have spent £14 million preparing its bid to retain the WCML; even if FGW spent half of this trying to win it, that`s £21 million which - to passengers - is down the drain. The editor commented: "Will the DfT - and Mr Cameron - finally, once and for all, realize that this broken railway does not work very well and would run better as a nationalised system. It would eliminate the need to waste money every year or so on failed franchise bids, on rebranding, on consultancy and on the extra layers of cost needed as everyone involved wants their cut."

Railfuture North-east believed that the cost of the re-franchising process is a fundamental flaw in the system because it diverts resources from the core objective of running and developing a railway.

We fear the re-franchising process is driven more by consultants and lawyers than by people with an in-depth understanding of the railways and what is required to run good passenger services, now and in the future.

[Section 63, House of Commons Transport Select Committee report on franchising 5/11/06]

RMT believes that the current franchising arrangements have failed to provide value for money for the tax-payer and the fare-payer. Franchise awards are shrouded in commercial confidentiality and the franchising process has cost the public purse over £60 million since 1998.

[RMT June 2006 Submission to Westminster's Transport Select Committee]

The present system is three times more expensive to run than public ownership because of [a] higher private sector borrowing costs; [b] the payment of dividends and the necessary profit margins; [c] fragmentation. Since 2003, ATW has paid £67.9m in dividends. Fares are 30% higher than in Europe.

[Mick Cash of the RMT: government rail conference, Cardiff, October 2012].

Analysis required in providing a bid is hugely complex because of the density of the overlapping bus and rail networks, where each overlap flow (i.e. services already operated by the bidder within the proposed franchise area) is treated as a separate market. In a single franchise area, this may run into the 1000s. This requires enormous investment in legal and economic resources for TOC and the public sector, with resultant costs.

[Commission for Integrated Transport, Competition Issues in Rail Franchising, September 2006]

In 2011-12, ATW received £136.8 million in subsidy, equating to a subsidy of 12 pppkm [pence per passenger-kilometer]; total subsidy over the duration of the franchise was estimated to be £1.68 billion.

[Page 26, 'Railways: Passenger Franchises' SN1343, March 26 2013. House of Commons Library.

2.7 Fares: these are the highest in Europe.

[Passenger Focus]

Rail fares - in a mess and set too high. TOCs - enfeebled, discouraged from investing....

[Jim Steer, director of rail consultant company: RAIL 622]

HOW TO SAVE MONEY: an off-peak return Penzance - Birmingham is priced by CrossCountry at £117-20. Ditto Penzance-Cheltenham, priced by FGW, is £66 and Cheltenham-Birmingham £19-40. So buy the last two (totalling £85-40) and legally save £31-80 provided the train calls at Cheltenham (which they all do).

It's seen as legalised theft, brings the railways into disrepute and happens because some operators are more expensive than others, yet each is told which fares it has to set. Until this is changed, anomalies will get worse with each fares revision.

[Jim Steer, as above]

The May 2006 Transport Select Committee report, 'How fair are the fares?', confirmed the RMT's longstanding view that, ten years after the break-up of passenger services, the franchises operate a fare and ticketing regime that has been "an abject failure" which "is not fit for purpose".

[RMT Submission to Westminster's Transport Select Committee]

"You can't get work carried out - the TOC (train operating company) says it's Network Rail, they say it's Balfour Beatty, who say it's the sub-contractor. You don't know how to get things sorted out..."

[Loco driver quoted by Andrew Murray in 'Off the Rails', pub. Verso, 2001]

2.9 "The simplest way to take any company into state ownership is to issue government bonds to shareholders. This was the method used in 1947. These would be exchanged for shares, and the interest on them could be met out of the profits of the reinvigorated rail industry, spread over a number of years. Under this self-financing form of public ownership there would be next to no cost up front for the government, and no diversion of resources from the NHS or anywhere else."

['Off the rails' by Andrew Murray. Verso 2001]

"I would like to see us go back to nationalisation like it was originally envisaged, but without the bureaucracy and massive shortfalls of cash."

[Train driver quoted by Andrew Murray above].

"In the last decade rail passenger demand on the Valleys lines has been growing at around 10% p.a. - significantly higher than the average for the UK. Recent data analysis suggests that this high rate of demand growth is continuing and will result in significant train capacity problems requiring additional network capacity beyond the platform and train lengthening programme which is currently underway."

[SEWTA document, Jacobs Consultancy, March 2007]

In InterCity`s final year, it recorded 93% of trains on time, which contrasts with 87% for the year just gone for NR`s long-distance classification.

[RAIL 620]

British Rail made many mistakes but at least it provided a world-class research centre at the Derby Railway Technical Centre.

[as above]

The growth in the number of passengers is due to macro-economic reasons, admits the DfTr (and not privatization per se).

[Mick Cash of the RMT; government rail conference, Cardiff, October 2012].

2.10 National Express (East Coast mainline) is running out of cash because the post-credit crunch economy has hammered the business plan,,, NXEC tried to close the gap by hiking car park charges, imposing seat reservation charges and cutting catering. But the gap is too wide... All we can say is that if things don`t change, then NXEC dies in December and the DfT will take over...

[RAIL 622]

Lord Adonis, speaking in the House of Lords, July 1, 2009: "The decision by National Express to break their contract is regrettable and disappointing...It is simply unacceptable to reap the benefits of contracts when times are good, only to walk away from them when times become more challenging."

[as above]

The rail industry is based on long-term investment, huge fixed assets and a largely constant customer base that requires stability and continuity. It is not a business for fly-by-night operators trying to make a few bucks in the short term, irrespective of the long-term consequences.

The last thing passengers want or need is to have different operators frequently chopping and changing their customer offers, rebranding their trains and messing about with their fare structures. Yet, when it is re-let next year, the East Coast will have seen four different sets of managers within five years, hardly a recipe for an efficient service.

[Christian Wolmar, RAIL 622]

Some risk is borne by the operators but it is a relatively small amount. They have £10 million to £20 million invested in this. If it is making £400 million turnover, that is a hugely small investment and they can walk away from it if necessary. They lose some credibility but they can walk away. The government would have to make sure the train services run...

[Section 17 of `Passenger Rail Franchising` published by the House of Commons Transport Committee, November 5, 2006].

The economic downturn has exposed certain challenges in the franchising system: a significant drop in passenger revenues and reliance on revenue support; instances of franchise failure. This has highlighted: a tendency for bidders to adopt aggressive revenue forecasts to win competitions; an imbalance between the level of control afforded to the franchisee and the level of risk transferred to it. A tipping point can be reached whereby a TOC can `walk away` at a relatively early stage.

[Gary Forde, Ernst & Young; Government rail conference, Cardiff, October 1, 2012].

3.1 Where Wales is able to take the initiative (and find the finance), impressive results can follow. On the anniversary, earlier this year (2009), of the re-opening of the **EBBW VALE** line, it was reported that 573,000 people had used the trains. This compares with the scheme`s projected usage of 150,000 in the first year, and 453,000 after 4 years. So the 4-year target was exceeded by 26% after only one year.

[`Rail Wales`, Spring 2009].

3.2 From our European masters... Directive 2001/12/EC (amending 91.440): Article 6 states: [1] Member states shall take the measures necessary to ensure that separate profit and loss accounts and balance sheets are kept and published, on the one hand, for business relating to the provision of transport services by railway undertakings and, on the other, for business relating to the management of railway infrastructure . Public funds paid to one of these two areas of activity may not be transferred to the other. The accounts for the two areas of activity shall be kept in a way that reflects this prohibition.

[2] Member states may also provide that this separation shall require the organisation of **distinct divisions within a single undertaking** or that the infrastructure shall be managed by a separate entity.

29/7/2009: an Irish Rail spokesman told me that their undertaking is still legally vertically integrated, i.e. one company for train operations & infrastructure, though with separate accounting.

As far as he knows this is not likely to change and there is no legal provision for any rival passenger company to demand running rights within the republic - though, in theory, another company could demand to run an `international` service to and from Belfast.

Merseytravel and NedRailways strongly argued the case in favour of vertical integration at a regional level... Merseytravel estimated they would save £33 million net over the 25-year franchise by integrating track and wheel. They also anticipated other benefits....

[Sections 103-4 of House of Commons Transport Committee Report on Rail Franchising, November 5, 2006].

More than a decade after rail privatisation and the introduction of franchising of passenger services, we remain to be convinced that the system has achieved its objectives or that it is indeed capable of doing so,

[Section 123 - above].

RMT supports vertical integration of the rail network in the public sector.

[RMT Submission to Westminster Transport Select Committee]

In November, 2012, the Cooperative Party published a paper calling for the future Wales & Border franchise to be mutually owned and run by a not-for-profit company called Rail Cymru.

[Railways: Passenger Franchises SN1343, March 26, 2013, House of Commons Library].

3.6 Existing legal lorries are 40 times heavier, 4 times longer, 3 times more likely to be involved in road fatalities, twice as noisy, and thousands of times more damaging to the road surface than cars and produce at least 3 times more carbon dioxide per tonne carried than rail.

[Source: `Railwatch` April 2009]

The Gwaun-cae-gurwen line, recently re-opened to freight traffic, will see 1,300 tonne trains - each one the equivalent of 40 big lorries.

[as above]

Rail is 9 times safer than car travel and about the same as air travel.

[ATOC]

Writes JDR: The Westminster government's 2007 Strategic Freight Network plan almost entirely ignores Wales: Swansea/Port Talbot east is all that appears on the map. No acknowledgement, for example, of the potential for our two cross-Irish Sea routes leading to and from Europe. (Railfreight is responsible for 65% of intercontinental trade to the north of England and beyond arriving by rail from the UK's southern gateway ports).

More people and goods are carried per route-km of railways than on roads.

[`A rail manifesto for the 21st century`, produced by Railfuture 29/11/09].

Rail transport aids social inclusion and regeneration as it provides access to jobs without the need for a car. Reopened routes to towns such as Bathgate have enabled significant falls in unemployment.

[As above].

A recent study for Invensys Group concluded that, pound for pound, investment in modern railway signalling and rolling stock produced more capacity than any other transport investment, including motorway widening.

[as above]

When Eddie Stobart switched transport of Tesco goods between Daventry and Scotland from road to rail it was found that where a round trip by road consumed 11,147 litres of fuel, the same round trip by rail reduced this to 3,185 litres, a saving of over 71%.

[As above].

Industry analysts have estimated that HGVs typically produce 63g of CO₂ for every tonne of freight transported every kilometer, in comparison with 26.4g of CO₂ per tonne per kilometre for rail freight. This represents a reduction of nearly 60% in CO₂ emissions per train journey. [Article by Rhodri Evans in `Western Mail`, October 17, 2012].

3.7 The German Railways supervisory board consists of equal worker/government participation.

[Mick Cash, RMT: government rail conference, Cardiff, October 2012].

4. "The demise of the tram was a serious mistake in post-war transport policy. None of the European countries which kept their trams regret doing so, and trams and light rail vehicles are undergoing a renaissance worldwide."
Andrew Adonis, Sec. State for Transport (Westminster), writing in RAIL 631 (2009).

2012 in Wales

- 936 route miles
- 1,516 track miles
- Trains per day [geographical] 1,340
- Passengers per day (ATW) 71,000
- Stations leased to ATW 244
- Level crossings 1,217
- 26m passenger journeys starting or ending in Wales in 2010 - up 65% since 2000.
- Predicted growth in Wales of 31% by 2019
- Valley lines growth 8% p.a.
[25% of Scotland`s route mileage electrified. Wales in 2012: nil].

{Mark Langman, Route Managing Director, NR Wales at Government rail conference, Cardiff, October 1, 2012.}

Compiled by John D. Rogers, Chairman of the South Branch of RAILFUTURE CYMRU, the campaigning name of the Welsh branches of the Railway Development Society, a non-political group of volunteers. For more details: www.railfuturewales.org.uk

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