

GOING FORWARD!

News from GO-OP

Issue 7

November 2013

We bring you updates on applications for track access and the Enterprise Investment Scheme, meet Stephen Beresford, and visit another town on our projected MainLine route.



© www.leamington.co.uk

TRACK-ACCESS APPLICATION

On 8 November, we met with the Office of Rail Regulation. Both ORR and Network Rail must approve a track access application, but only the ORR can approve new train operating licences. The meeting followed an improvement in our relationship with Network Rail, where our contacts are now constructive enough to allow us to progress further.

This does not directly translate into progress with ORR. Apart from concerns about demand, timetables and capacity, key issues are still money and rolling stock. We have made progress on the latter. Despite an extreme shortage of rolling stock to lease, and few active production lines for new DMUs, we are making progress with one manufacturer. To assure the ORR that paths allocated to us will in fact be used, we must turn this into a firm order, but that presents a further difficulty. Capital requirements for a launch with purchased new rolling stock are within the scope of a co-operative share issue: it is not radically different from the process for financing a wind farm.

The ORR is not comfortable with that. It will not grant any track-access contract, provisional or otherwise, until funds have actually been raised. Funds cannot be raised from risk-averse investors (the ones with the most money to invest) until the track-access contract is agreed. So we have a chicken-and-egg situation.

This is not the first time we have encountered this problem, but we are now much clearer on the precise boundaries. To progress further, we must re-examine the business plan and reduce capital requirements;

ask our bankers to provide detailed offers in principle; and secure underwriting for a share issue, a supply of rolling stock, and lease finance on reasonable terms. Though demanding, this is achievable.

The present system:

- claims to promote competition and public service;
- but raises arbitrary barriers to those wishing to serve the public, rather than merely harvest unjustifiable profits.

We must expose the shortcomings of this system, but also make it *work* for the travelling public.

Alex Lawrie
Chief Executive

MEET THE DIRECTORS

STEPHEN BERESFORD

Stephen Beresford has been a Director of GO-OP since November 2012.

Having joined Midlands Co-operative Society in 2009, he is currently its Head of Corporate Affairs. Previously he spent 20 years working for electronics giant Toshiba, where he held a number of key marketing roles culminating in the position of Senior Manager for European Marketing Communications.



GF *What is your role?*

SB As a Director of GO-OP my role is to help oversee the governance, expenditure and strategic direction of the organisation. I am also able to offer my professional expertise, built up over many years working in marketing within both private companies and the co-operative sector.

GF *Why were you attracted to GO-OP?*

SB I have a personal connection with the railways, as both my father and grandfather worked in the industry. Also, having spent a number of years working in the co-operative sector, I saw the huge benefits which GO-OP could bring to the UK rail industry and how, by challenging the control of a small number of large operators, rail users would benefit.

I also knew that good marketing would be key to the success of a new rail operator, and my skills and

experience are therefore highly relevant. On a personal level, working with GO-OP gives me the chance to stretch myself professionally, and develop new skills and experience. Midlands Co-operative Society encourages employees to make a contribution to communities and relevant organisations, benefiting both parties.

GF *How do you see GO-OP developing in the next five years?*

SB I think everyone will be delighted to see GO-OP establish a new rail route running from Birmingham to Westbury. I hope that we are quite close to achieving this milestone, and when we do, it will mean that all the hard work of recent years has paid off. Looking further ahead, I think that once GO-OP has proved itself a credible train operator, the next step will see it bidding for other rail franchises and routes, as and when opportunities become available.

ENTERPRISE INVESTMENT SCHEME

The Enterprise Investment Scheme (EIS) is a series of tax reliefs encouraging investments in small unquoted companies in qualifying trades in the UK. This is intended to offer compensation for risks incurred by such companies. EIS offers both income tax and capital gains tax reliefs.

An individual with at most a 30% interest in the company can reduce income tax liability by 30% of his/her share subscription. The minimum subscription is £500 per company; the maximum per investor is £150,000 p.a. If EIS shares are disposed of at any time at a loss, that can be set against the investor's capital gains or income in the year of disposal.

In 2010 GO-OP asked HMRC to confirm that our trading activities qualified for EIS. Criteria include:

- All capital employed must be actively engaged in the company within 24 months;
- The company must not be in specified industries;
- Entry to the scheme rests on an HMRI decision;
- No partner or associate of the investor (including spouse, relations, prior business contacts) may have other interests in the company;
- The investor must not have any form of preferential shares; and
- The investor must not have any other form of controlling interest in the company.

Having previously stated that GO-OP complied with all the qualifying rules, early in 2012 HMRC declined to offer tax relief to our investors, as a business claiming this tax relief must have been engaged in a qualifying trade for three months. We had intended that by then we would have two qualifying trades underway:

- *Branch-line rail service*

Unfortunately plans were abruptly postponed by a change of heart at the Mid Hants Railway.

- *Consultancy, support, etc. for Swindon Car Club*

Although car hire and leasing are not qualifying trades (EIS is intended for 'productive' economic activity, and not *rentier* earnings), we were clear that our role was managerial and infrastructural, as we did not ourselves provide car hire to anyone. HMRC did not agree, relying heavily on our contract with Greensquare Housing (which, in hindsight, was not well drafted, inaccurately describing the service as 'car hire').

These unforeseen problems meant that HMRC refused to grant us EIS.

We decided instead to claim on our consultancy services since 2010 to Lightweight Community Transport. In August 2013 we learned that HMRC had accepted our arguments and reversed the previous refusal. We have now sent EIS claim forms to all eligible members. Further forms will be issued in due course.

Kate Whittle
Company Secretary

LEAMINGTON

Continuing our tour of places on the future route of GO-OP Mainline, today we visit the elegant town of Leamington in Warwickshire.

The settlement of Lamintone ('farm on the River Leam') first mentioned in *Domesday Book* (1086), later became known as Leamington Priors. Around 1586, the first of several health-giving springs was discovered. Baths were gradually developed, culminating in the opening of the Pump Rooms and Assembly Rooms in 1814. This led to a large influx of visitors, and rise in the population. That was not all: in 1838 the town was renamed Royal Leamington Spa by Queen Victoria.

RAIL LINKS: PAST, PRESENT AND FUTURE

Today Leamington stands at the junction of two routes to Birmingham and beyond: via Warwick, and via Coventry. There is also a service to Stratford-upon-Avon. Southwards the trains run to London (Marylebone), and via Oxford to the south coast.

The first train to reach the northern outskirts of the town was in 1844 on a branch from Coventry of what became the London & North Western Railway. This was in 1851 extended through Leamington to Rugby. Meanwhile in 1852 the Birmingham & Oxford Junction Railway (later Great Western) opened a broad-gauge line from Oxford to Warwick and Birmingham. The rival stations: *Avenue* (LNWR) and *General* (GWR, on the site of the present station) stood near the foot of the Parade only 50 yards from each other for more than a century. Services on the LNWR line closed in 1964 (remains of bridgeworks are still visible to the north-east of the station). However, a connecting line was later installed to enable mainline trains from the south to travel via Coventry.

Since 1996, Chiltern Railways has held the franchise for services to London, its unsubsidised *Evergreen* route improvements reducing journey time by 25%.

With rail electrification still some years away, it is notable that more than a century ago electric trams were running through the town. In 1881 the Leamington & Warwick Tramway began operating from Station Approach. Initially horse-drawn (running, no doubt, on *biofuel*...), the service changed to electric traction in 1905, succumbing in 1930 to competition from buses.



Tram at foot of the Parade, c. 1910, with All Saints' Church (L), Pump Rooms and Baths (R).

© www.leamingtonhistory.co.uk/

We at GO-OP look forward to playing *our* part in writing the next chapter of Leamington's rail history.

LEAMINGTON 'PLAQUES'

Former residents include John Wisden (maker of cricketing equipment); Bernard Spilsbury (pathologist and witness in the murder trial of Dr Crippen); Randolph Turpin (boxer); Frank Whittle (inventor of the jet engine); and Emperor Napoleon Bonaparte (during his exile).

PLACES TO VISIT

The Parade, the majestic main road running north-south through the town, hosts a number of shops. These are well worth a visit, as are the historic Pump Rooms at the foot of it.



Jephson Gardens

© www.leamington.co.uk

The railway and River Leam run east-west. On the north bank are the Jephson Gardens, opened in 1831 to complement the town's spa facilities

Between river and railway lies All Saints' Church. The present cathedral-like building was completed in 1902.

For a few years in the 1980s I shared in its strong musical tradition, as a 'seasonal extra' in the choir. I well remember the annual Christmas-Eve carol service, followed by the midnight service, and my 60-mile drive home afterwards...

We wish you a very happy Christmas and peaceful year ahead.

Dr Robin Rees
Editor

Leamington Parade
Yuletide Fayre

© www.warwickdc.gov.uk



GOING FORWARD!

© GO-OP 2013

16 Somermead, Bristol, BS3 5QS

t. 0300 456 2265

www.go-op.coop

info@go-op.coop

We are grateful to copyright holders for permission to reproduce images.