

WEST SOMERSET RAILWAY PLC

STAKEHOLDER MEETING **18 OCTOBER 2014**

BISHOPS LYDEARD VILLAGE HALL

Agenda & Introduction

- | | |
|------------------------------|----------------|
| 1. Introduction | Steve Williams |
| 2. Welcome | John Irven |
| 3. 2014 operational review | Paul Conibeare |
| 4. 2015 budget | John Irven |
| 5. Freehold/leasehold update | John Irven |
| 6. Stakeholder group | Steve Williams |
| 7. Q&A session | All |



West Somerset Railway plc

2. WELCOME BY JOHN IRVEN

Summarised changes to the Board. In particular, welcomed our new Finance Director and showed how the finance function was to operate in future.

Changes to the Board

- ▶ Roger Savill - retired from board, but continues as chief accountant
- ▶ Sean Hodges - stepped down
- ▶ Steve Major - stepped down
- ▶ Identifying new board members
- ▶ Alongside definition of board responsibilities & portfolios



West Somerset Railway plc

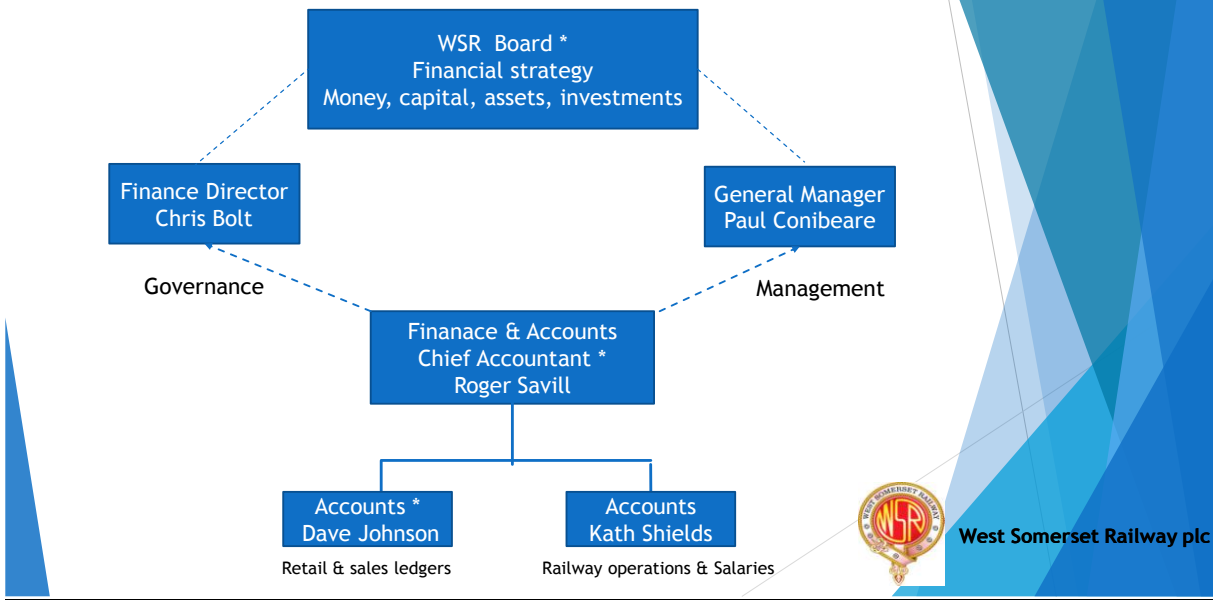
Introducing Chris Bolt CB, Our new PLC Finance Director

- Economist BA, MSc Cambridge University
- Civil Service career in public policy as Head of economic regulation
- Independent regulation advisor to Wessex & Thames Water, Offwat, Offgem, Offcom & National Express
- Board director level in organisations such as Transco PLC
- Regulator, becoming chief Economist, then non exec chairman of board of the Office of Rail Regulation (ORR)
- Arbiter for London Underground procurement contracts prior to transferring responsibilities to TfL
- Member of HRA legal services committee, writing HRA guideline for corporate governance for heritage railways
- Currently treasurer for West Somerset Steam Railway Trust



West Somerset Railway plc

Finance & Accounting WSR PLC



3. OPERATIONAL REVIEW – PAUL CONIBEARE



January

- New 22,500 gallon water tank arrives at Bishops Lydeard.
- WSR holds its fares for individual travel and groups at 2012 levels during its 2014 season.



West Somerset Railway plc



February (1)

- Somerset floods - pre-season ticket sales affected e.g.
 - Group bookings 30% lower on 2013
 - Coach companies cancel due to lack of bookings - WSR traffic figures affected up to June.



West Somerset Railway plc



February (2)

- Engineering & Operating Depts. also affected e.g.
 - Track relay Bishop Lydeard - Ben Short (PWay Dept.) up to his knees in mud!
 - 15 Feb - new season starts, GM's diary records 'A wet day'!



West Somerset Railway plc



March

- Guests locos at Spring Steam Gala included 34007 Wadebridge.
- 28 Mar - Filming for 'Escape to the Country' programme.



West Somerset Railway plc



April

- Wallace & Gromit visit Minehead Station - part of our tourist attraction portfolio.
- BBC Filming 'War Horse' for Inside/Out - 1st recorded use of camera drone on WSR.



West Somerset Railway plc



May

- LNER 4-6-2 no 60009 *Union of South Africa* with the Kidderminster to Minehead *West Somerset Explorer* at Norton Fitzwarren Junction on 24 May 2014. Perhaps an indication that the raitour industry is recovering
- 11 May - Volunteer recruitment train ran (very successfully)



West Somerset Railway plc



June

- Mixed Traction Weekend a success.
- Crowcombe Heathfield Station staff and friends on the station's annual outing.
- 14 June - Vintage Railtours 'Whistling Ghost Railtour II (2015 - III)



West Somerset Railway plc



July

- The two weekend *Thomas* format proves very popular.
- Recruitment for new Head of Commercial Services - Chris Brown appointed & will be full-time wef 1st January 2015..



West Somerset Railway plc



August

- Professor Stephen Hawking, CH CBE FRS FRSA theoretical physicist and cosmologist, visited the West Somerset Railway on 27 August 2014 using the newly refurbished 3rd wheelchair accessible coach..
- Red Arrow Day - trains 'Full & Standing' / Minehead station locked down @ 15:30



West Somerset Railway plc



September

- Plaque unveiled at Minehead Station in memory of Friends of Minehead Station (FOMS) helpers Roy Heskett, wife Jean and daughter Sue.
- Martyn Snell representing all WSR staff on the new Partnership Development Group - to discuss the way our Railway can be developed over the coming years.



West Somerset Railway plc



October

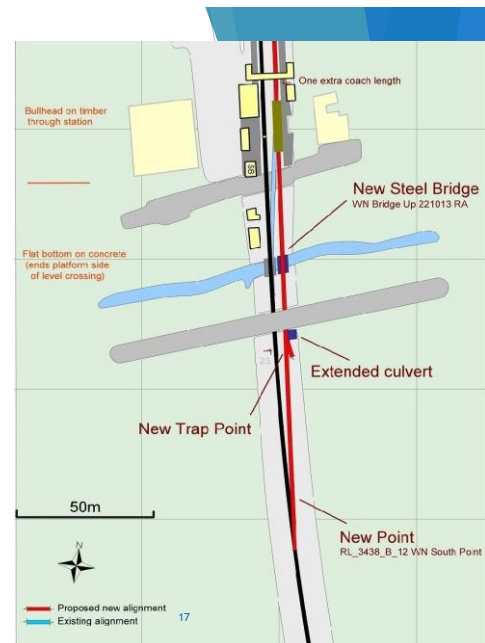
- Shed scene at Bishops Lydeard at Autumn Steam Gala - in commemoration of closure of Taunton Steam shed 83B in October 1964
- John Osman - Leader of SCC visited WSR (including footplate ride and tour 'behind the scenes')



West Somerset Railway plc

Planned Winter works 2014/15 including.....

- Williton Loop Project - starting this winter
- Rerailing & Tree Felling - various sites
- Drainage at Combe Florey, Crowcombe, Yard, Kentsford & other sites.
- Engineering trains - Ballast/Tidy



Fares & Pax figures to September 2014

September	pax in month	pax cum	fares - month	budget - month	fares - cum	budget - cum	+/- budget
2014	21,886	161,914	233,416	261,000	1,603,121	1,811,000	
2013	22,395	166,655	245,383	245,000	1,715,365		
Difference	-509	-4741	-11967		-112244		-208,000
Performance to budget				89.4%			88.5%
Performance to 2013	97.8 %	97.2%	95.1%		93.5%		plc

4. 2015 BUDGET : JOHN IRVEN

Snapshot 2014

- ▶ We have a revenue shortfall due to reduced passenger numbers
 - ▶ (especially due to flooding in first part of year, as low as ~ 70% of 2013 levels)
 - ▶ but by extra efforts (including some discounting) we have recovered to approx 98% of 2013 passenger levels by September
 - ▶ but this still leaves us with an operating revenue shortfall
- ▶ By very hard work we have been able to make savings in our operating costs
 - ▶ (operational, consumables & in not filling staff vacancies) to offset part of this
 - ▶ together with using some revenue from donations and legacies we project achieving a balanced budget by end 2014
- ▶ In addition, by re-prioritising capital spends we have saved some £45k of 2014 capital which will be available into 2015, as well as improving our cash flow and bank balance.
- ▶ We must continue to drive improvements in both our income & expenditure to achieving a balanced operating budget, so that we can invest even more of the donations, share and legacy income into capital infrastructure projects.
- ▶ For 2015 we are proposing increasing operating revenue by increasing fares, based on benchmark comparisons against other heritage railways.



West Somerset Railway plc

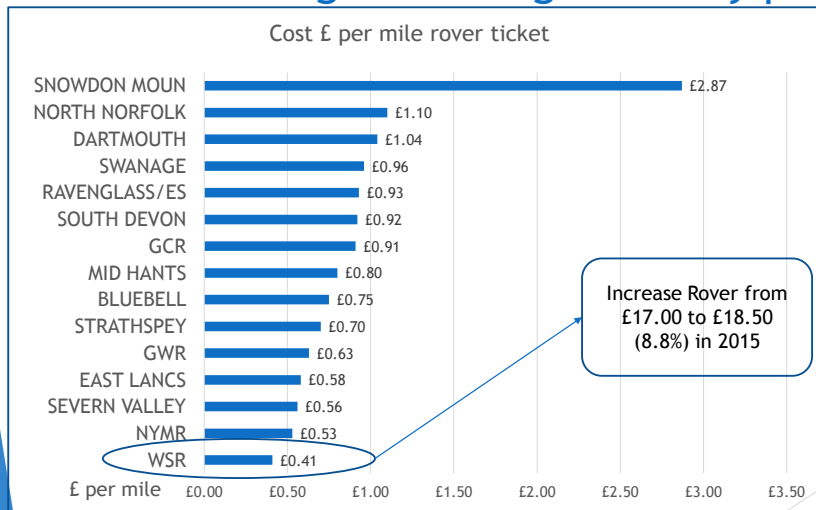
Snapshot 2014

BALANCING THE BOOKS	Passenger numbers 2014 v 2013			
	March	Sept	Year to date	Budget to date
Snapshot 2014				
Passenger numbers	~70%	98%	97%	90%
FINANCIAL PERFORMANCE P&L	Income		Expenditure	
	Net (+/-)			
Budget to August/Sept				
Projected revenue shortfall to budget 2014		-£208,000		
Savings on operating costs to budget			£88,000	
Other savings			£2,000	
Sub totals		-£208,000	£90,000	-£118,000
Additional non recurring income		£72,000		
Additional revenue - donations		£46,000		
Net balance		-£90,000	£90,000	£0
CAPITAL SPENDING				
Capital expenditure savings 2014, impacts on cash flow				£44,500
BANK BALANCE	£200k increase over budget			£1.4 million



West Somerset Railway plc

Benchmarking of Heritage Railway pricing



West Somerset Railway plc

Earmarked capital reserve funds in 2015 from within ~£1.4 million banked funds

- ▶ Continue overhaul of 9351:
 - ▶ Earmarked funds £350k, of which £100k spent in 2014, £150k in 2015, to be complete by summer 2015
- ▶ 10 year overhaul of S&D loco '88' for which we are responsible:
 - ▶ Earmarked funds £375k spread to 2017
- ▶ 1st phase Williton loop: Spring 2015: Bridge + track.
 - ▶ Earmarked funds £200k out of £250k
- ▶ BL Station Farm sidings : cost TBA



West Somerset Railway plc

Project prioritisation process - 'Needs' & 'Wants' Simple traffic light system

- ▶ We have to separate 'needs' from 'wants' and 'wishes'.
- ▶ **NEEDS** - a 'must have' for safety/operational/commercial reasons -we have to find the money

Green gets immediate go ahead
- ▶ **WANTS** - a 'like to have' if we have the money and all needs have been met

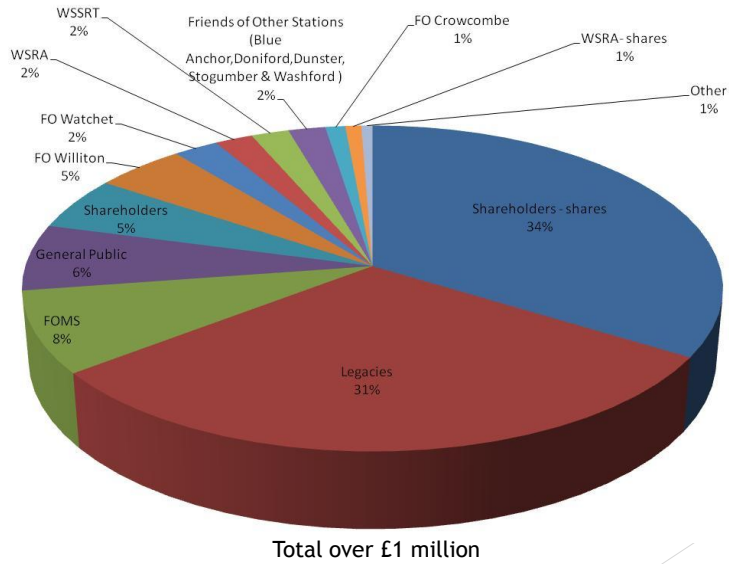
Yellow requires more work
- ▶ **WISHES** - a 'nice to have' if there was no limit to available funds, no competing projects, or if we 'win the lottery'.

Red is 'no' unless and until specially justified
- ▶ We are also having to look at where we have a green project, but no resources to actually implement.....we have examples of prioritised capital items sitting unused because they have not had available resources for implementation
- ▶ Need to look at Heritage projects as well as operational projects



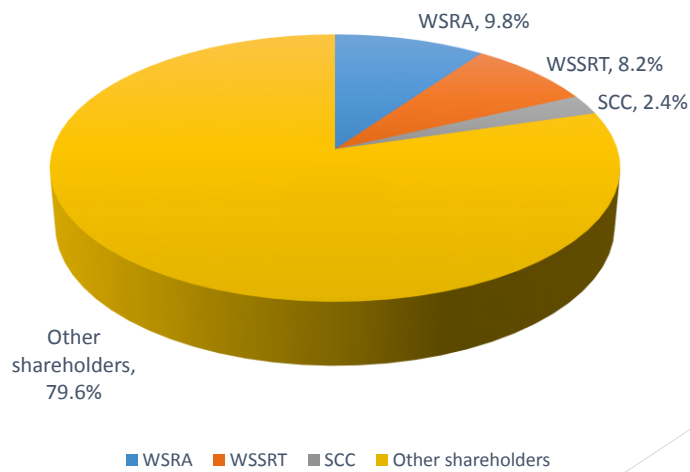
West Somerset Railway plc

WSR plc source of capital receipts 2009-2013



West Somerset Railway plc

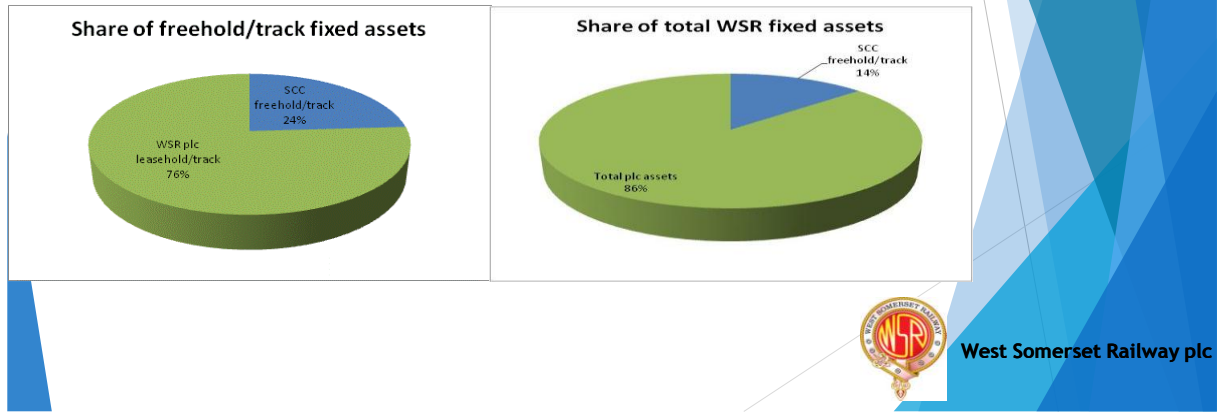
Total issued WSR PLC share capital



West Somerset Railway plc

Who owns the railway ?

- ▶ Not just SCC freehold
- ▶ WSR plc including contributions from support groups have invested and own a proportion of the railway assets



5. FREEHOLD UPDATE BY JOHN IRVEN

SCC position

- ▶ 'Minded decision' taken by Cll Huxtable in November 2013 to sell freehold to WSRA - never published
- ▶ Feb 2014 SCC forced to go through proper due diligence process, with bids being submitted by WSR PLC and WSRA to be judged by officers.
- ▶ FOI materials released within 1 week of bid submissions. Decision taken to remove Cll Huxtable from the process, with John Osman taking over all decisions related to the WSR
- ▶ Immediate decision taken not to sell the freehold, and confirmation in answer to my question to JO at public scrutiny meeting, that 'the freehold would never be sold outside of the WSR family'
- ▶ Complaints by members of the public into whether Cll Huxtable has breached the SCC code of conduct in his dealings with and support for the WSRA bid
- ▶ Currently being investigated by external lawyer who will report to SCC's independent Standards panel
- ▶ WSR PLC participated in the complaint process on the strong advice of the appropriate SCC officers in order that our material evidence was made available to the inquiry.
- ▶ PLC will make no further comment until inquiry report is public



West Somerset Railway plc

WSR PLC position

- ▶ In 2011-13 the PLC was offered an extended lease with right of first refusal on the freehold were it ever to become available
- ▶ Although overtaken by the decision to sell, we wish to resume these negotiations with SCC now the freehold is no longer for sale
- ▶ A period of 'reflection' of at least 6 months before any further discussions on these matters
- ▶ Any lease is solely a matter between SCC and the PLC
- ▶ Freehold is not on the immediate agenda, and any potential to reconsider a future sale will need consultation with whole WSR family via a stakeholder group
- ▶ SCC support for, and participation in PDG stakeholder group, confirmed during JO's visit to the WSR on 3/10/14



West Somerset Railway plc

Interactions since February stakeholder event

- ▶ Joint meetings with SCC
- ▶ Freehold no longer on the agenda
- ▶ Social event PLC - WSRA September
- ▶ Meetings between individual directors & trustees
- ▶ Intermediary led negotiations over commercial issues are making progress
- ▶ Focus initially on QB, moving to Stone, Lydeard, Williton, NF etc
- ▶ Ongoing issues between WSRA trustees and members not a matter for the PLC, and on which we are making no public comment on either side of the debate



West Somerset Railway plc

6. PARTNERSHIP DEVELOPMENT GROUP BY STEVE WILLIAMS



Partnership Development Group

- Emerged from consultation on Corporate Plan
- Endorsed at previous stakeholder meetings
- All major railway groups represented. Verbal confirmation of attendance by WSRA, written confirmation by everyone else.
- County and District Council buy in
- Rotating chairmanship on a 12 month basis – Steve Williams to be the inaugural Chair.
- Clear Terms of reference to be agreed upon and to be published
- Governance framework also to be agreed – including ratification by constituent groups of PDG decisions
- Work programme – ‘big ticket’ items including development of Bishops Lydeard site and progress of the Taunton to Bishop Lydeard rail link
- First meeting scheduled for 30th October

 West Somerset Railway plc

7. Q&A SESSION

Q1. Wanted assurance, in respect of the Taunton/BL Rail Link proposals that lessons learned on other heritage railways (particularly on the Swanage railway link at Wareham) would be included in WSR proposals.

A. Steve Williams gave that assurance.

Q2. A suggestion that Taunton Chamber of Commerce should be invited to become PDG members.

A. Steve Williams stated that the Board did not want the PDG to become too unwieldy and that participation of other stakeholder groups could best be effected via co-option when dealing with specific issues.

Q3. Wanted to know if there were any proposals for Watchet paper mill to utilise the railway for transport.

A. Paul Conibeare said that there had been a link in the past but that there were currently no such proposals.

Q4. Wanted to know about tax relief that charitable companies could benefit from but that the PLC could not.

A. Paul Conibeare said that shareholders could currently benefit from tax relief.

Q5. Wanted to know whether there were areas that the WSRA and the PLC could profitably partner, particularly if the 'freehold issue' was now on the back burner.

A. Paul Conibeare recognised the importance of the question. There were currently a number of initiatives, and the PDG is seen as key to those initiatives including the development of partnering arrangements within and between all members of the railway family.

Q6. Apart from one known mediation initiative (concerning the QB), please comment on other mediation initiatives and kindly explain, in the PLC's view, why these have stalled and why some have been rejected by the PLC.

A. John Irven stated that the question correctly identified that there are or have been more than one mediation initiative. The first mediation process consisted of a number of meetings which stalled in relation to the freehold issue but which made some progress in relation to commercial agreements. This has then been taken up by a new set of mediators which are currently in progress and which the PLC is hopeful for a successful outcome on a number of areas. At this point in time it was not felt useful to undermine or overlay this process with any further mediation initiatives without ruling these out in the future. As explained earlier the non-commercial broader issues it is hoped would be dealt with through the nascent PDG.

Q7. In relation to the PDG, what are the plans for ratifying decisions made and issues addressed?

A. Steve Williams stated that the group will have its own terms of reference and governance structure which will include each member having delegated powers to debate and vote on issues coming before the group and reporting back to their host organisations and membership all outcomes. The intention is that there should be complete honesty and transparency of decision making across the railway family.

Q8. Was it true that neither the PLC nor the WSRA were deemed to be a 'fit and proper body' to own the freehold?

A. John Irven explained that:

a) The PLC was already deemed to be a fit and proper body to operate the railway through holding operating rights via the Light Railway Order and would therefore automatically be a fit and proper body to hold the freehold. Any new owner

would have to pass a fit and proper test for the right to own the freehold and operate the WSR.

- b) Separately, Somerset County Council had decided that neither party had fully met the criteria by which the potential sale of the freehold was judged.

Q8. The Chairman of Railfuture asked if consideration had been given to setting up a Local Enterprise Partnership such as had been successfully achieved in Cambridgeshire.

Steve Williams and John Irven replied that this was not currently under consideration but would happily look into the possibility if the Chairman could provide us with details of how such progress had been made and also contact details.

Q9. Did anyone in the PLC have a professional marketing qualification?

Paul Conibeare replied that Chris Brown, the new Head of Commercial Services, had appropriate qualifications and experience and would continue to be supported by the excellent team of Amy, Esther and John Sims.

Q10. Could the Permanent Way Gang tidy up after completing work?

- A. Paul Conibeare said that it was correct to raise this point and he will be taking this up with Andrew Young, Head of Infrastructure.

Q11. Is the 9351 repair under budget and, if so, what will happen to that underspend?

- A. Andy Forster said that such an underspend was likely (and also on the '88'). Such underspends could be reserved for other prioritised projects or they could simply be reabsorbed into company finances.

Q12. Has any thought been given to merging WSRA and PLC publications?

- A. John Irven said that whilst the PLC were anxious to improve its communications with its stakeholders (and this had been done via today's and previous stakeholder open meetings, Shareholder newsletters, staff website and an expanded 'Online' offering, there were currently no plans for the proposal mentioned by the questioner.

Q13. Paul Fleet wish to record his thanks for all the messages of support and enquiries concerning his health during his recent illness.

Q14. What is happening to '3850'

- A. Andy Forster stated that next May 3850 is due for overhaul when it reverts to its owners who will have to decide upon its future. Once overhauled it may come back onto the railway, hopefully with its 'ride problem' addressed. In the meantime the PLC has entered into agreement with owners of [Kinlet](#) Hall to stay on the railway for at least another year.

Q15. Would WSR Restorations be considered for the tender on the Williton Loop bridge?

- A. Paul Conibeare said that design specs had yet to be received but that they would be considered.

CONCLUSION

John Irven thanked everyone for their attendance.

The meeting agreed that these sessions were of benefit and should continue.

It was agreed that 'Volunteering' should be a topic for the next meeting.

On a rotation basis the next meeting would likely be held in Minehead in Spring 2015, though consideration could be given to other venues. We would balance between Bishop's Lydeard and Minehead.