GO-OP

Community Shares STANDARD

Business Plan 2024

Version 1.1 / December 2024

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EXECUTIVE SUMMARY

Go-op's mission is to reduce the social and environmental impacts of travel by providing mutually owned, high quality and inclusive public transport services that encourage people to choose sustainable transport options. This business plan outlines our proposition to design, deliver and operate its first rail service. Go-op is bringing the benefits of co-operative ownership to the passenger rail sector for the first time ever. Through Go-op, passengers will have a direct voice in the specification and delivery of routes; and staff will be empowered to set the highest standards for delivery. This route is our proof of concept: our goal is to continue to innovate across multiple routes and different modes of transport.

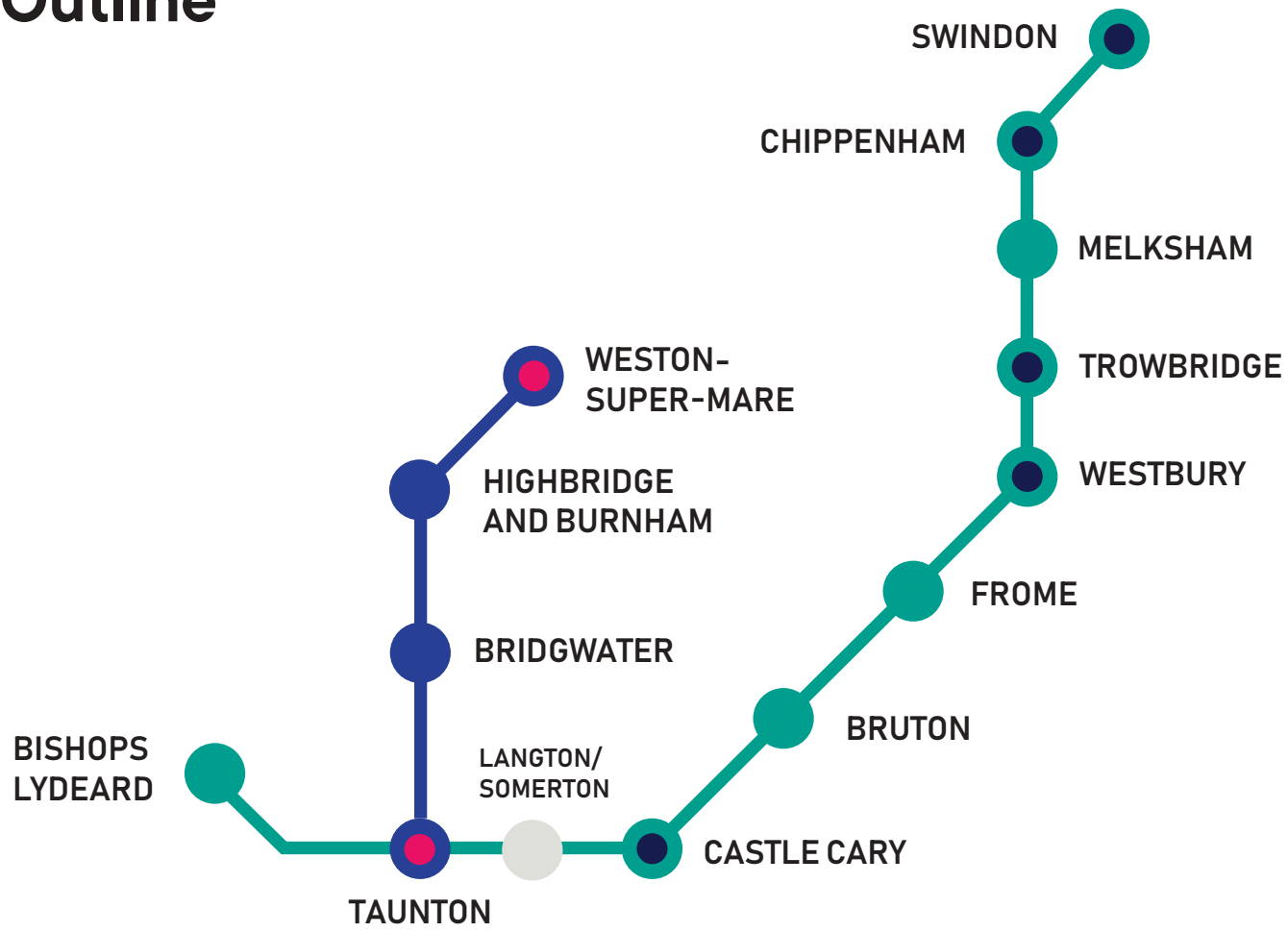
Rail operations would clearly benefit from the co-operative advantage. They rely on a relationship of trust between passenger and operator. The one-member-one-vote election of directors coupled with values of transparency and care have always underpinned the high levels of trust that the public have in co-operatives. The rail industry is capital intensive, requiring the continual re-investment of profits in service enhancement and innovation; again, co-operatives have a track record of building an indivisible capital reserve and applying it to deliver social benefit.

This proposition will specifically increase rail frequencies and improve connectivity in Somerset and Wiltshire. Local communities will benefit from direct services from Taunton to Swindon, and additionally from Taunton to Weston Super Mare. Frequency of service at stations including Frome, Melksham, Bridgwater and Highbridge & Burnham will substantially improve.

The route provides a basis for new infrastructure development: specifically the proposed Somerton & Langport station, and services to Bishops Lydeard on the West Somerset Railway.

This project delivers strong rates of return on the investment needed. It achieves a step change in connectivity in the sub-region which will drive growth in the local economy. It is a social investment, because Go-op delivers diverse benefits to the local economy: reduced carbon and particulate emissions; skills, training and productivity enhancements; cultural gains for relatively isolated communities; and access to specially discounted travel for disadvantaged individuals. This is a project that is designed and delivered by west country people, applying international co-operative principles to meet their needs together.

Outline



- Go-op was registered as a co-operative society in 2009 and has spent the last fifeen years researching and preparing its business case.
- Go-op will enhance the UK rail network by creating a diverse range of new connections under the 'Open Access' provisions of the Railways Act, bringing new investment to the rail network, boosting productivity in towns on the route, and encouraging modal shift away from car transport.
- Go-op will be financed largely through 'community shares' – an innovative model for equity investment used successfully by supermarkets and large community energy societies but never before by a rail operator.
- A Track Access Contract with Network Rail (NR) and a Train Operating Licence from the Office of Road and Rail (ORR) provide the contractual basis for the operation. The initial contract will be for five years, with a 'strong presumption' of renewals for a further five years each time.
- The service is to be operated by appropriate rolling stock drawn from the existing national pool, meeting modern standards of comfort and accessibility.
- Go-op aims to cut carbon emissions and is actively investigating options for a transition to zero emissions rolling stock that can operate without overhead electric supply.

Start-Up

- The Office of Rail and Road requires that we demonstrate by November 2025 that we have sufficient funding to launch the service; and that we do so by December 2026.
- While we will operate empty stock movements and charter services on a 'spot bid' basis from early spring 2026 (largely for the purposes of route familiarisation and driver training) the first timetabled passenger services will take place from May 2026.
- Between the submission of the track access application and the commencement of services, Go-op will incur costs of over £1.2M for planning, driver training and project launch costs and £1.6M of network investment, principally level crossing improvements and the refit of rolling stock. Once operational, Go-op will require working capital of a further £3.9M as prospective users gradually change their travel habits and ridership matures.
- From 2029 Go-op will trade profitably, and by 2037 it will – after payment of interest to investors – have accumulated an indivisible reserve of £1.1M. By 2040, that will have accrued a total of £6.4M (2025 prices).
- Full risk investment with EIS tax relief is expected to deliver over 12.0% internal rate of return for small investors who choose to invest prior to our award of a train operating licence.

  A reduced rate of interest will be offered as the business is de-risked. If the trend of steadily increasing rail use 2009-2019 resumes over the next decade, Go-op will make profits more rapidly and the rate of return increases to 14.4%, as a higher target rate of interest comes into effect.
- Leveraging will be balanced, with debt peaking at 60% of equity, before falling rapidly.

Staffing

- Our board of directors will include elected, non-executive directors (typically a mix of professional and lay directors) alongside ex-officio executive directors (normally operations and safety). Supported by the executive team, they are responsible for leadership and management of the co-operative.
- While the service will be predominantly delivered by highly qualified professionals, there will be a training programme for new entrants to the industry (managed by our charitable sibling co-op, Go-op Learn) – in particular train drivers, train planners and community energy and transport organisers. Go – op learn is an established trading training provider which has designed and delivered learning programmes. There will also be a modest but significant role for those of our members that choose to volunteer. Station assistance, interchange and accessibility advice, community engagement and organisation of local member committees will all be significant volunteer opportunities.
- Go-op will employ its own drivers and ticket inspectors with around twenty traincrew from 2026. There will be a further twenty five employees at a head office in Taunton, including maintenance, cleaning, customer service and administrative personnel. Overnight stabling will take place at the western and eastern ends of the route, and we will operate a depot for the purpose of refuelling, light maintenance and cleaning.

BACKGROUND

I In 2008, Somerset Co-operative Services CIC (the local co-operative development body, now known as South West Co-operative Development) working secured a grant from the Co-operative Group to carry out preliminary research into the feasibility of a co-operative enterprise providing rail services through 'open access' on the model of Hull Trains.

This research established a cooperative business model for rail which would have the confidence of investors to operate successfully in the rail market, inspired by other established coops including the Phone Co-op, Energy 4 All and Suma. The Financial Services Authority ruled in 2007 that co-operatives could issue shares to investors, provided that their voting rights were limited to prevent them running the business for profit alone. This model, typical of many other countries, led South West Co-op Development to write new model rules for multi stakeholder co-operatives, of which Go-op was the first adopter.

On the strength of a 'pioneer' share offer, Go-op raised and utilised in excess of £150k by the end of 2010 from small individual and corporate investors, A further £20,000 was raised in 2011, plus £45,000 to explore business ideas that might complement mainline rail.

Go-op progressed the project to establish:

- Safety Management System
- Train Planning, confirming available capacity
- Independent demand (revenue) forecasts
- Feasibility and performance studies (engineering and systems)

The Go-op propositions evolved through consultation with members, community councils, public transport advocacy groups and local authorities and agencies – media coverage introduced the idea to a wider audience. The three principal authorities on the route – Somerset, Wiltshire, Swindon – all gave it their backing early on.

In 2021-22, two breakthroughs were achieved. Detailed work on run times and discussions with ROSCOs identified the potential for Class 153 units to deliver the service. Around the same time, Network Rail began a study into timetabling in the Westbury area which allowed Go-op's aspirations to be integrated with an increasingly regular baseline timetable.

A final proposition was adopted by the Go-op board for a Taunton to Swindon/Weston Super Mare proposal in 2022. This overcame initial challenges in Network Rail's support for its proposition and Go-op submitted a Section 17 application (that is, one without the support of the network operator) to the Office of Rail and Road (ORR). Finally, in November 2024, the ORR gave their conditional approval.

PERSONNEL

A key element contributing to the success of this new operation will be its organizational and management team. Most board members are elected by the membership for three year terms, but there are also two places on the board for ex-offico executive directors. The two ex-officio directors are non-voting roles, but because of their critical roles in Go-op their input to board meetings is of obvious signicance. The Safety Director has the power under standing orders to bring concerns about safety to the attention of the board at any time.

In order to ensure that the co-operative is led by its users, three quarters of the elected directors must be either prospective users of its services or staff.

Board of Directors: non-executive

The voting members of the board are elected by the membership, but as with any corporate body its members are not delegates but rather must take personal responsibility for their actions.

Alex Lawrie – Chair

As a founder member of two housing co-operatives and a workers co-operative, Alex moved to Somerset in 1999 to start the Ecological Land Co-operative and Somerset Co-op Services CIC (which later became South West Co-operative Development, the region's co-operative development body). He went on to found Somerset Co-operative Community Land Trust and The Development Co-operative, while advising numerous other Co-ops. In 2004, as an employee of SCS CIC, he began the research that would lead to him founding Go-op.

He is the author of 'Empowering the Earth' (Green Books, 2000) and Simply Finance (Co-operatives UK, 2010). He completed a Master's Degree in Strategy, Change and Leadership at Bristol University in 2019. His work in co-operative development has included work on housing, transport, co-operative share issues, secondary co-operatives and co-operative development infrastructure.

David Northey – Vice Chair

David is a freelance senior Strategic Planner & Customer Experience Leader. Prior to his retirement in 2022, he had worked for Network Rail for almost 36 years and since 2021 was the Senior Strategic Planner for the Western and Wales Region. He encountered Go-op in this capacity and contributed valuable advice in that role; on leaving Network Rail he offered his services to Go-op as a non-executive director.

Martin Bond – HR and Personnel Director

Martin worked for the railways for 30 years, starting in a clerical position and working his way up through various operating positions, including timetabling and diagramming, and finishing as a training manager for various IT bespoke systems. including TOPS and Trust.

Since his retirement he has been active with his local rail user group for the line between Crewe and Shrewsbury. Although now retired from the position as the Chairman of the Association he lobbied the franchise holder for improved services and facilities, and was involved in the negotiations for the new franchise services that came into operation in October 2018.

David Warren – Compliance Director

David has spent the last 15 years as a director and general manager of a business focused on developing novel approaches to design and fabrication techniques for the construction industry. During this time he managed and delivered projects across Europe, offered expertise on research and development of new technologies to improve efficiencies and standards in the industry, and built partnerships to make these ideas work within a heavily regulated sector.

Prior to this, David worked at a large multi-national engineering company, working internationally on major engineering projects overseeing environmental monitoring and compliance, including on the initial phases of the Kings Cross Redevelopment Programme.

David has an MSc in Environmental Engineering and Technology from Imperial College, London, has been a lifelong supporter of all things co-operative and 'green' and lives with his family in Bath.

Danny Douglas – Strategy Director

A committed Co-operator, and also a transport professional with experience of both operation and policy, Danny serves on the board of directors of Central England Co-operative and works as the Principal for public transport at North Northants Council, where his remit is to deliver enhanced public transport to minimise climate change and challenge social exclusion.

He is also a Trustee of Coop College, a member of the Institute of Logistics Transport, and holds a diploma in Management Studies.

He has led two community transport operations, with a peak vehicle requirement between ten and twenty. He also grew a start-up community transport operation running conventional bus services across nine counties, and has been a successful bid writer for local government in transport policy roles in Suffolk and Portsmouth.

Natasha Dawson – Communications Director

Natasha's first degree is in business, which she studied while working as an apprentice in customer service. This led to her joining GWR in 2017 as an on-board customer host on their inter city services; she progressed first to Front Set Lead, and then trained as a Conductor with primary responsibility for the safety of passengers.

In 2020, she decided to change direction and studied for an LLB Honours Degree in Law with the Open University. More recently she has been working on marketing and digital design as part of a family business, and also for a time working at Bristol Airport on security checks and in the main terminal.

However, she retained a strong interest in the railways and applied for Go-op's driver training programme in 2022. In her spare time she is a keen musician, performing on the cello.

Nick Kennedy

Nick Kennedy is an experienced non-profit independent Director, having served as Non-Executive Director on NHS Clinical Commissioning Groups, providing independent oversight and scrutiny. Nick has 20 years' experience as NHS Consultant, Anaesthetist and Intensivist, and seven years in management roles. He lives in Taunton.

John Hassall

John was Chair of Severnside branch of Railfuture for 8 years, and is currently Co-Chair of Somerset Bus Partnership alongside three representatives of the District Councils in Somerset. The partnership is now working with Somerset County Council to improve bus services locally.

His advocacy of public transport began while living in Bromley, where he campaigned for a bus to travel between the Farnborough Hospital and that at Sidcup. More recently in Taunton, he have campaigned for the Park and Ride to go via the Railway Station, and for better facilities for disabled people travelling by train.

He has been a Parish Councillor in Bishops Lydeard and Cotford St Luke since 2007, and was elected to Somerset West & Taunton Council in 2019.

Graham Dick

A frequent rail commuter in the south west, Graham is a chartered engineer who has held management positions in both Aerospace and Energy sectors. During his career he has successfully co-ordinated projects that have brought new engineered products and services to market in the UK and Europe. He is committed to his work having a positive social and environmental influence which has led to a direct involvement in the engineering challenges faced by COP28 and achieving net zero.

Executive Directors

We are beginning work on the formation of our core leadership team, and have already interviewed five candidates for our top job. Although we have offered the position to one candidate a change in life circumstances has meant that we now need to reopen the search.

Operations Director (ex-officio Executive Director):

Recruitment underway

Safety Director (ex-officio Executive Director):

Recruitment underway

Advisors to the Board

Nigel Harris - route consultancy

Nigel is a career railway planner. His experience of passenger (both mainline and metro) and freight railways gives him an excellent understanding of how railways actually work, both physically and economically. He has 15 years' experience as a consultant (having worked for most British train operators, and on every continent except Antarctica) after nearly 8 years as a Network Analyst at London Underground. He lectures on railway planning issues at the Universities of Newcastle and Birmingham (UK), Sydney (Australia). He is the co-author/editor of books on "Planning Passenger Railways", "Planning Freight Railways", and "The Privatisation of British Rail".

Jeff Turner – Policy and Social Impacts

Jeff Turner has over 30 years' international experience of consultancy and research around transport and social equity, across the globe. Jeff also has significant expertise in bringing questions of gender into the mainstream of transport, energy, ICT and other infrastructure sector policy and operation. Until 2024, he served as one of Go-op's directors.

Tracsis

Tracsis Rail Consultancy is a leading provider of professional services across the operational and strategic planning horizon. The technical expertise that they provide guides critical business decision making, enabling their clients to deliver the most efficient and resilient operation for their customers. They combine this specialist service offering with a substantial in-house software development capability to support capacity planning, timetabling and resource allocation across the industry.

Third Sector Accountancy

A firm of Chartered Accountants and Registered Auditors offering accountancy services primarily to those with the not-for-profit and co-operative sector. We work with co-operatives, community interest companies, community benefit societies, and charities throughout the UK.

D-Gauge

Formed in 2008, D-Gauge are specialists in detailed modelling of route and rolling stock compatibility. Combining expertise in rail and motorsport, they have used innovating data tools to accurately simulate geography, platforms, signage and other obstacles to allow operators to anticipate any difficulties that might arise.

South West Co-operative Development

SWCD (formerly Somerset Co-op Services CIC) has been a supporter of Go-op since its inception and introduced much of the strategic framework within which Go-op's operational plan developed. It now provides the back-office services that provide continuity and accurate reporting on the funds raised and deployed by Go-op to date.

LEGAL STATUS AND PARTNERSHIPS

Go-op Co-operative Limited (which also uses the brand Go-op Train) is a Co-operative Society registered with the Financial Services Authority (13097R). Its rules are those of a Multistakeholder Co-operative (Somerset Rules). It was registered in March 2009 under the name Go! Co-operative Limited. The adoption of Go-op as a trading identity took place in 2012 to more clearly distinguish the business from other rail operators.

Ownership

The society is owned by its members (which include a small number of corporate members – those being other co-operatives which in turn have over half a million members). There are four classes of membership: worker members (of which there are presently six), passenger members (of which there are forty-five) and investor members (of which there are one hundred and ninety-six).

Voting at general meetings is one member, one vote, subject to the following requirements: non-user members (that is, investors) are limited to 25% of the overall voting strength in meetings. Among the user members of the co-operative, passengers and employees, the voting strength of the passengers will be twice that of the employees.

Company Location and Operations

The registered office is 10 East Reach, Taunton TA1 3EW. It is anticipated that as we approach the point of operating services, an administrative headquarters will be established close to a station on the main route. While Taunton will be the head office, it is likely that many staff will be based in or near to West Wiltshire.

The Go-op family

Go-op Train is the first of a family of Go-op co-operatives, which already includes a training and research community co-operative, Go-op Learn (registered as a charitable community enterprise). Go-op is a member of Go-op Learn (in a class of membership for community transport bodies) with a £1,000 shareholding. At present, the directors of the two societies are the same, but it is our intention for Go-op Learn to rapidly move towards independence. We have been approached by a new group seeking to become a co-operative bus operator under the brand 'Go-op Bus' and we have agreed in principle to our brand being shared in this way.

Over time we will develop a mechanism for ensuring that it is consistently used effectively and with integrity. Co-ordination will be governed contractually at first, with an agreement to share the brand collaboratively and encourage further diversification. In future a formal secondary co-operative may be established to promote the formation of further societies.

REGULATORY COMPLIANCE

In order to operate passenger trains on the national network, we must comply with the requirements set by Network Rail and the Office of Rail and Road (ORR).

The key requirements set by Network Rail, and our progress towards meeting them, are as follows.

Requirement	Progress at August 2024
The business must be financially and organisationally capable of running the service, meaning that: 1. We are capable of trading profitably over the life of the agreement. 2. Our passengers are not just abstracted from other operators, but include a specified proportion that are new to the network (the NPA test). 3. We have a credible plan for funding early trading losses.	An updated demand forecast prepared by The Railway Consultancy has used 2022 MOIRA data to establish the available revenue: .The route we tested principally serves Somerset with three return trips a day terminating in Swindon. This has shown sufficient revenue to cover running costs from mid way through the life of the contract, and more than sufficient generation to pass the NPA. The management team we have in place are well organised and supported, have substantial railway experience and have already secured the specialist expertise required to develop the proposal. They are ready to implement a further phase of recruitment to assemble the remaining part of the team necessary to direct day-to-day operations.
The business must be able to show that in the event of failure all sums due to Network Rail will be paid in full.	We have adopted a policy of preferential treatment of Network Rail invoices so as to build confidence and resilience with our most critical supplier. Our forecasts and models assume payment on receipt. Track access charges to Network Rail are likely to comprise 1-2% of our expenses.
Necessary insurance agreements will be put in place.	We have obtained quotations for railway operations insurance from JJIB in July 2019, and this quote was fully reviewed and updated in August 2022.
Suitable rolling stock has been secured.	We have a provisional but realistic offer of supply of appropriate rolling stock from Porterbrook, based on rolling stock either in storage or projected to be released from lease by other operators.

Requirement	Progress at August 2024
The business has an approved safety management system (SMS).	Preparation of the SMS is now largely complete, and consultations over key provisions within the industry have given us confidence that it will, when complete, meet the highest standard. Some sections remain to be completed by the incoming Safety Director, and in the light of experience with the new rolling stock. We have undertaken to comply fully with the Claims Allocation Handling Agreement and the Emergency Access Code.
The ORR is minded to grant a licence for rail operations.	We believe that the contents of this business plan show us to be fit and proper persons to operate a passenger rail service; and that the support secured in the recent industry consultation (for example, from the Department for Transport and Cross Country) has shown that it will be a positive contributor to the UK rail network.
It has the necessary rail experience available to it.	We have met this condition to date through a combination of recruiting a skilled management team and securing the services of industry consultants with strong track records. Further, we have budgeted for the recruitment of skilled professionals to take up key executive posts; and for training of new train crew, as opposed to competitive recruitment from other train operators.
There is sufficient capacity on the network.	Our consultants Tracsis and The Railway Consultancy have analysed the route and provided assurance that the diagrams planned are indeed viable within existing Train Planning Rules. The Westbury Area Advanced Study provided further reassurance that adequate capacity exists for the firm rights sought to be exercised.
There should be no adverse impacts on aims contained in Route Studies.	We have verified that our plans are consistent with the relevant UK rail strategies. The 2015 Western Route Study specifically notes poor connections and increasing demand between the Midlands / North and South West as an issue (p 63, p 79, p 87, p 158, p177) and our proposal addresses this directly. Improving timetable performance was a goal of the study, and in the summer of 2022 this was addressed by Network Rail through the Westbury study.

SERVICE DESCRIPTION

A stopping service on a strategic route

Our principal route will be a cross country service from Taunton to Swindon. Connections between the Wessex and West Midlands regions have been identified in successive Route Utilisation Strategies as a missing link in the rail network, and this will significantly improve access by rail to the middle and north of the country. It can also act as a catalyst for interchange at Westbury and Castle Cary, delivering towns such as Melksham and Frome where rail has historically underperformed not just destinations but an entire network.

In addition, we are also adding additional services between Taunton and Weston super Mare, stopping at Bridgwater and Highbridge & Burnham. The existing hourly stopping service between Taunton and Bristol (half hourly between Weston Super Mare and Bristol) is frequently overcrowded, as rapid population growth along the route coupled with the increasing importance of Taunton, Weston and Bristol as destinations has driven passenger growth.

Finally, we would (subject to capacity, and grant of track access from West Somerset Railway plc) like to extend some services to Bishops Lydeard, using it in many cases as a terminus. While Bishops Lydeard is a large village with significant needs of its own, we regard this (with the necessary investment in car parking) as a vital parkway station for West Somerset and North Devon. In addition, as the starting point for West Somerset Railway's leisure services, we expect significant leisure traffic.

Go-op have initially developed their proposition of Service Group GO01 to operate using 75mph diesel multiple units. All timing loads are therefore 15x. There will initially be two diagrams operated by three sets. The quanta requested are as follows:

North/Eastbound Passenger Services

From	To	Via	TSC	Mon - Fri	Sat	Sun
TAU	WSM	N/A	26671200	2	2	2
TAU	WSB	Pass FRO and BRU	26671103	2	1	1
TAU	WSB	Via FRO	26671101	1	1	1
TAU	SWI	Via FRO and MLK	26671100	4	4	4
FRO	WSB	N/A	26671102	2	0	0

South/Westbound Passenger Services

From	To	Via	TSC	Mon - Fri	Sat	Sun
WSB	FRO	N/A	26671102	2	0	0
SWI	TAU	Pass FRO and MLK	26671100	4	4	4
WSM	TAU	N/A	26671200	2	2	2
WSB	TAU	Via FRO	26671101	1	1	1
WSB	TAU	Via FRO and BRU	26671103	2	1	1

The routes affected: GW105, GW107, GW108, GW500, GWE510, GW523, GW560, GW570.

The firm rights sought have been independently evaluated for compliance with pre-pandemic timetables and current Train Planning Rules (one compliant path via Melksham is sought as a contingent right in order to allow for possible increases in freight on the branch since 2020; and some compliant paths to Norton Fitzwarren Junction are contingent pending capacity enhancements on the WSR). In light of Network Rail's Train Plan report, we propose firm rights for the quantum only.

In addition we have reserved the following contingent rights, which can be employed if and only if we can demonstrate capacity for compliant operation:

North/Eastbound

From	To	Via	TSC	Mon - Fri	Sat	Sun
TAU	WSM	N/A	26671200	2	2	2
WSM	PSN	N/A	26671201	4	4	4
TAU	WSB	Via FRO	26671101	2	2	2
TAU	SWI	Via FRO and MLK	26671100	2	2	2
NTNFTZN (WSR)	TAU	N/A	26671300	6	6	6

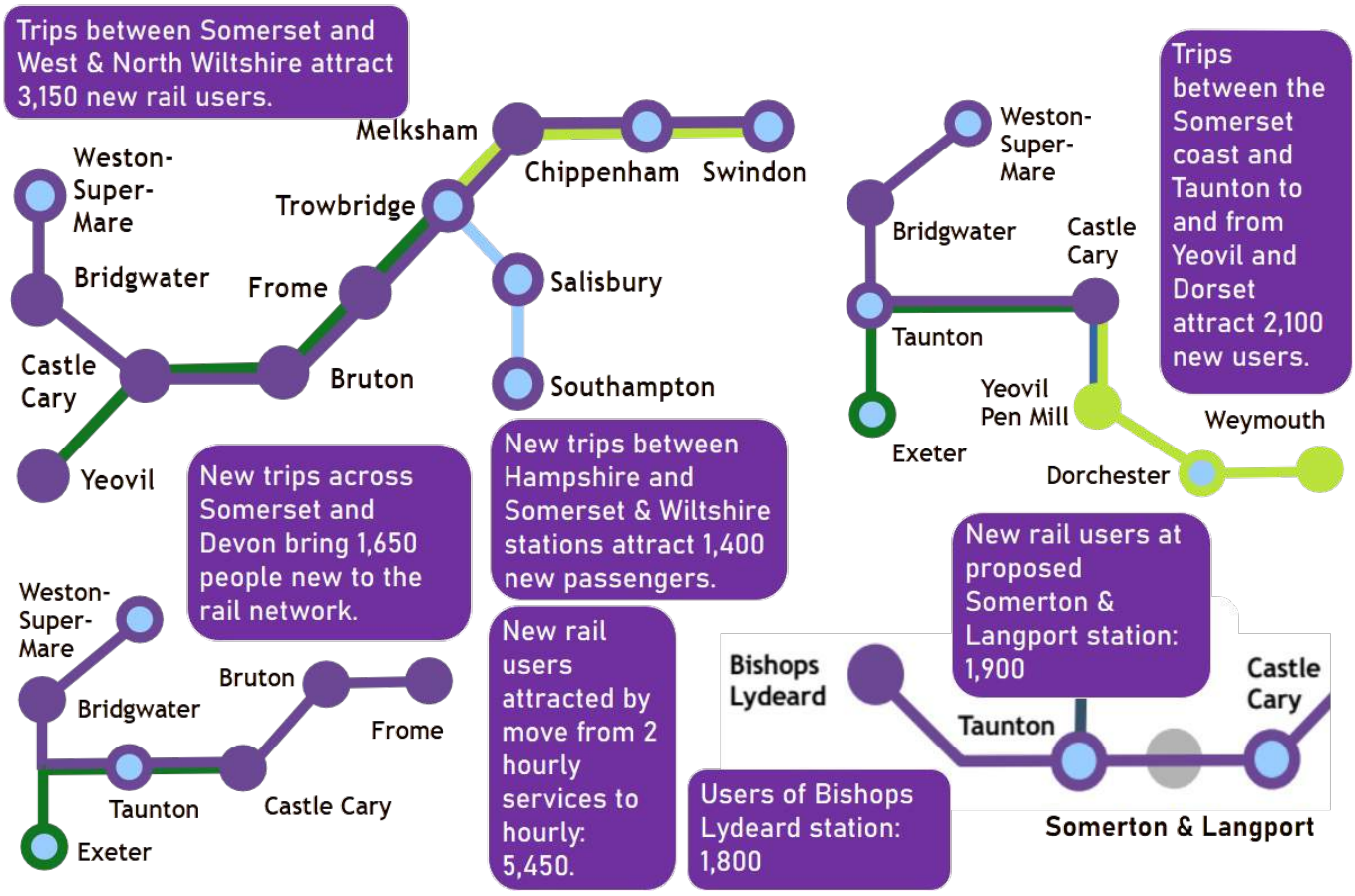
South/Westbound

From	To	Via	TSC	Mon - Fri	Sat	Sun
TAU	NTNFTZN (WSR)	N/A	26671300	6	6	6
SWI	TAU	Pass FRO and MLK	26671100	2	2	2
WSM	TAU	N/A	26671200	2	2	2
WSB	TAU	Via FRO	26671101	2	2	2
PSN	WSM	N/A	26671103	4	4	4

These rights include access to sidings that may play a part in operations, access to the West Somerset Railway, a possible extension of our North Somerset route, and additional services on our main route.

Our aim is to timetable services in gaps in the existing timetable, maximise generation and minimise abstraction. It is not at this stage possible to propose a clockface timetable – we will be keen to evolve in this direction as time goes on and recent initiatives in this direction by GWR and Network Rail give grounds for believing that this will be possible sooner rather than later.

The route cuts across many well-established services, creating numerous opportunities for interchange and journeys that are not presently feasible by rail.



Capacity testing

Tracsis have exhaustively tested the conflicts and compliance with train planning rules, and find the timetable to be largely compatible with the index timetable (which it must be noted has changed significantly as a result of the pandemic and other changes; however, it still provides an appropriate baseline for comparison).

Some issues await full resolution, and we look forward to working closely with timetable planning teams in Network Rail on further updates and revisions.

Generation and abstraction

The service is not 'primarily abstractive' which means that more than 30% (we estimate 40%) of the revenue will be generated by new passengers and not taken from existing Franchised Operators. More detail is provided in section 12, Market Analysis.

ROLLING STOCK

We set out to secure 'sprinter' type multiple unit vehicles formed into 2 or 3 car trains with option for expansion by insertion of intermediate powered vehicles or unpowered trailers. Our route requires two diagrams, so a very small fleet is required: two sets to operate, one spare (for example, undergoing maintenance) and a fourth if needed either for additional resilience or to provide rescue capability if another vehicle is imobilised while in service.

There are four classes currently under active consideration: we are confident that while some may prove to be unavailable or unfeasible, that will still leave a good option for us to work with. Units that are presently in service, and due to come off-lease in time for 2026, have the advantage of being fully ready for service; however, there is always the possibility that the present operator will decide to retain them in the fleet for longer (for example, if the planned introduction of newer units is delayed). It is certainly the case that all the units available to us are based on trains built in the 1980s and early 1990s – this is normal for a new open access operator – but some have been more recently modernised.

Class 150	Class 153	Class 156	Class 769
Owned by Angel Trans	Owned by Porterbrook	Owned by Angel Trans	Owned by Porterbrook
2/3 car	1/2 car	2 car	4 car
	Some recently refurbished, but others lack toilets		Recently refurbished
Some units in storage, others due to come off lease	Due to come off lease	Some units in storage, others due to come off lease	In storage
Diesel	Diesel	Diesel	Diesel / Overhead electric line
Route compatible	Route compatible	Route compatible	Some compatibility issues, incomplete sectional run times
75 mph	75 mph	75 mph	85-95mph
May require refurbishment and checks for corrosion	May require new accessible toilets	May require refurbishment and checks for corrosion	May require some conversion of seating to storage

Like most other train operating companies, we expect to lease the rolling stock from a specialist leasing company (known as a ROSCO). At this stage we are only able to have outline discussions with ROSCOS as they need to see us successfully conclude our present fundraising before heads of terms can be discussed. The type of contract used will most likely be a 'soggy' lease, in which the lease covers both the supply of rolling stock and some 'heavy', periodic maintenance. Otherwise, the units will be in our hands to maintain and operate. Regardless of the class of units secured, some capital expenditure will be required by us. Suitable modifications to be installed (door controls and enhanced visibility for drivers) to enable driver control, including over routes planned to adopt ERTMS Level 2 / 3 Train control systems.

Other improvements we may – depending on the class and condition – undertake include:

- better information for passengers on electronic screens
- providing wireless internet to modern standards
- more three pin and USB sockets
- hand sanitiser and face mask dispensers
- provision for limited on board retail
- seat cover and foam replacement
- seat back grab handle repainting
- seat back / pedestal painting
- saloon tables repair and refinish
- grab pole re-painting/powder coat
- floor covering replacement
- saloon/vestibules/refinishing (includes luggage racks)
- cab interior respray x2
- new panels and Lamigraf application.

Our demand forecast suggests that the single car formation typical of a class 153 will be sufficient to handle baseline demand in the early years; however, if demand approaches or exceeds our high case forecasts additional capacity will be required on the services experiencing the highest demand. Longer term, we will either need to add additional cars in multiple or – as other open access operators have done – look for an opportunity to commission brand new rolling stock.

Such a transition to different rolling stock (quite possibly allowing the 75mph fleet to be redeployed for branch line services that would be the subject of a fresh track access application) might well enable us to move to zero emissions operation, for example using the battery electric units and hybrids that are just starting to enter service in the UK.

For the purposes of financial modelling, and for our initial track access agreement, we have assumed the use of Class 153s as described In our original application to the ORR in 2022.

SAFETY AND CONTINGENCIES

Control Centre

The Control Centre for the route will be at Go-op's main premises which will be located in Taunton. Real time monitoring with staff (largely from the operations team, backed up by customer service personnel) continuously on duty while trains are operational. Communications will use continuous radio backed up by mobile telephone / VOIP systems.

Outside of operating hours, there will be one member of staff on call at all hours of the day and night so that developments on the network can be incorporated into planning before the working day has started.

- An on call system for senior management will be in place should escalation of an issue emergency arrive alongside normal reporting process to relevant bodies such as Route Control, Network Rail, Emergency Services.
- Business continuity: In the case of an unexpected emergency or situation which can affect the operation of the control room, Go-Op have contingency in place and can setup personnel in alternate offices till such a time as it is safe to return to normal operation.

Safety Management

The Safety Management System follows the standard format for the rail industry and has been drawn up by experts in the field in consultation with the Go-op board. The Safety Certificate and Cross Referencing matrix are attached in the appendices to this plan.

Safety is critical to the business, and our involvement of employees in the direction of the business will help us to effectively identify and manage safety risks and continuously improve. With safety being at the forefront of everything that Go-Op undertakes, all training, processes, procedures are regularly reviewed including the incorporation of subject matter experts, management and safety representatives to draw up and review documents including adopting and sharing best practices with other rail industry bodies and users.

Some work does remain to be completed. The following documents will be written and incorporated into the SMS when the relevant senior staff are hired and rolling stock is available for training and scrutiny:

- GO 140 Control Centre manual
- GO 141 Promotion of platform and station safety
- GO 202 - 207 Maintenance, cybersecurity data recorders
- GO 301 - 313 Traincrew and driver policy
- GO CMS 001 - 005 Competence Management

The incoming Safety Director will be responsible for designing, building, and implementing all areas relating to HSE for operations to begin.

Contingency planning

A range of contingencies can disrupt normal operation.

These include:

- closure of the railway for renewals and upgrades
- obstruction of the line by debris
- the impact of extreme weather events
- vulnerable and distressed passengers
- criminal activity
- cybersecurity breaches
- national crises such as the Covid pandemic

Go-op will develop a comprehensive set of contingency plans and capabilities so that bus replacement services, diversions, reduced operations and appropriate interventions can be delivered quickly and calmly, and with the minimum loss of service.

MARKET ANALYSIS AND DEMAND FORECASTS

Go-op will be part of the Ticketing and Settlement Agreement (TSA) meaning that we will carry and offer interoperable tickets allowing through journeys on and off our trains sold by us and any other train operating company.

To ensure strong revenue Go-op will also offer exclusive tickets which will only be available on specific Go-op services. These will give Go-op the flexibility to stimulate different sections of the market through promotion and pricing.

Go-op will seek to uses its own exclusive tickets to manage demand by offering greater discounts where the number of journeys (and therefore revenue), is higher while not necessarily stimulating the shorter flows. There is some evidence that current interoperable fares are lower than would be desirable. Go-op will seek to manage these revenues carefully to avoid the negative effects of the well-established 'gravity model' whereby the largest number of potential journeys generate the lowest fare revenue.

It is possible to abuse the revenue allocation system by timetabling trains that do not add any function to the system, but can claim to be more likely to attract passengers. This is not Go-op's aim. We are much more concerned with attracting new travellers on to the network.

Demand forecasting using MOIRA

There are many different ways in which demand for public transport can be forecast. The scale of the project, and the relative amount of progress on it, help to determine which are the most appropriate methods for a particular situation. In Britain, the arrangements currently required by the Office of Rail and Road (ORR) mandate the use of MOIRA, which is effectively a rail-only network model.

However, MOIRA can only forecast demand for increases in service levels between existing stations, whilst Go-op's proposals include serving several locations not currently having a train service at all. Here, different methods need to be used based on the attractiveness of the destination for passengers from the origin, limited by the distance between the two. This is known as a gravity model.

The base timetable against which Go-op's proposals was measured was the December 2022 timetable – the most recent available at the time. The analysis was carried out by The Railway Consultancy (RCL).

The way in which MOIRA is set up and operated has direct consequences on its ability faithfully to provide demand forecasts for specific situations. We believe that two of these are relevant here. Both are practical consequences of the model being an elasticity-based model i.e. trips are scaled up or down relative to current service levels and market conditions.

New Stations

Of the various approaches to railway demand forecasting, big multi-modal 'network' models are rarely available outside urban areas, whilst general market research methods are likely to be too expensive and inaccurate, so the estimates derived below have been compiled from other methods.

Trip-rate methods (such as that from the University of Southampton) are basically a function of the local population. There are many variants/developments of these. Our view would be that these forecasts need to be sub-divided into 'nearer' and 'further' catchments, and take into consideration the level of train service. This method might therefore suggest 100 trips/day on the BL branch is a maximum.

Gravity models attempt to take into account the relative desirability of destinations, from the area in question. Fortunately, Taunton is the key local destination, and almost all the rest of Britain is accessible from it.

In the case of Bishops Lydeard, census Travel-to-Work data shows that 68 people lived in BL village and worked in Central Taunton. However, another 6 worked in London, 2 in the Reading area, 18 in the Bristol direction and 21 in Exeter. Whilst there are various methods of demand forecasting, small-number rural problems such as this are notoriously difficult. RCL recommended a base forecast of 90 trips/day – Go-op has further augmented this figure with an assumption that a proportion of visitors to the West Somerset Railway (whose leisure excursions to Minehead commence at Bishops Lydeard) would choose to come by rail if they were able.

Somerton & Langport was proposed for re-opening within the second batch of "Restoring Your Railway" funding, although the time-frames for implementation have slipped well past the proposed 2025 opening target. A lack of clarity as which services should stop at these stations is one reason, but the local services proposed by Go-op would be appropriate for serving these locations, and confirmation of Go-op services would no doubt encourage development of the station re-opening, even if funding for construction remains unknown.

WSP produced a report for the Langport Transport Group & Somerset CC during 2022 on the potential for a new station. Depending upon the exact site, the cost of the station is around £25m in current prices, but the reasonable economic case would be significantly eroded if it had to support extra train operating costs. The advantage of Go-op is that Go-op is proposing to run these train services anyway, to supplement the existing GWR two-hourly semi-fast services which we understand is unlikely to call their for timetabling reasons.

Taking the lower values attributable to a 2-hour frequency service, these were respectively estimated at around 55,000 and 40,000 p.a. in the year of opening. This is consistent with the RCL indicative estimates of 35-50,000.

Revenue forecast summary

The RCL preliminary assessment of the situation (as per 'normal' times) is approximately as shown in Table 2 below. This assumes typical traffic build-up rates, and that Langport and Somerton open in year 4.

	Annual Revenues (£'000)			
Income Stream	Year 1	Year 2	Year 3	Year 4
Mainline rail: weekday	425	625	775	858
Ditto – Saturday	75	110	135	153
Ditto – Sunday	50	75	90	109
MOIRA adjustments	5	7	9	10
Recovery from Covid	-13	-13	-13	-13
Impact of real price rises	0	0	0	0
Impact of improved connnections	2	3	4	5
Bishop's Lydeard	27	48	57	65
Somerton & Langport				130
Revenue at risk				-13
Cost of sales	-54	-80	-100	-122
Totals (rounded)	496	737	922	1130

Timetable optimisation

Although the constraints of the open access process required us to develop a limited and irregular timetable, we have always anticipated that in the course of negotiation with other operators it should be possible to identify mutually beneficial arrangements that make better use of rolling stock and are closer to a clockface pattern. We developed a full day's worth of extra train mileage based around Taunton, with three extra return trips to/from Westbury, and four extra return trips to/from Weston. Analysis of these in MOIRA shows that the extra 500 daily train miles would be expected to produce an extra £233,000 of revenue to Go-op, of which £95,000 (40%) would be new to rail. However, the overall average of only £1.86 income/train mile disguises the differential commercial performance of the different departures.

It is also worth understanding what improvements would be available if the complete timetable recast that began in 2023 leads to:

- consistent timings on all routes
- alternating hourly services across the whole route
- effective interchange connections at Westbury and Castle Cary

Overall, the package selected estimated the increase as broadly double the weekday revenues estimated for the initial-year service.

Further gravity modelling

Go-op has taken further steps to address the difficulty that MOIRA has with trips that are presently highly unlikely to be undertaken by rail. These include trips between Taunton and Yeovil, Dorchester and Weymouth; trips to East Somerset and Dorset from North Somerset (wbich benefit both from trains between Taunton and Westbury, and direct services Weston – Westbury); Swindon – Southampton, Frome – Salisbury, Taunton – Bruton, and many others. Another reason for low levels of use is unevenly spaced trains – while the 2 hourly service between Castle Cary and Taunton might otherwise be adequate it is designed to serve tidal flows in and out of London and so it features unhelpful gaps in the morning and evening services.

To establish the likely number of trips between destinations, we consider the distance, the time penalty implied by an interchange on the route, the populations of origin and destination, the economically active proportion of the population and those travelling 10km+ to work.

Demand Forecast – scale modifications

We then apply a number of changes to bring the figures up to date for 2026. We have consulted with RCL on each of these, and while they have not chosen to include them in the forecast for methodological reasons we understand none of them are considered unreasonable or likely to include double-counting.

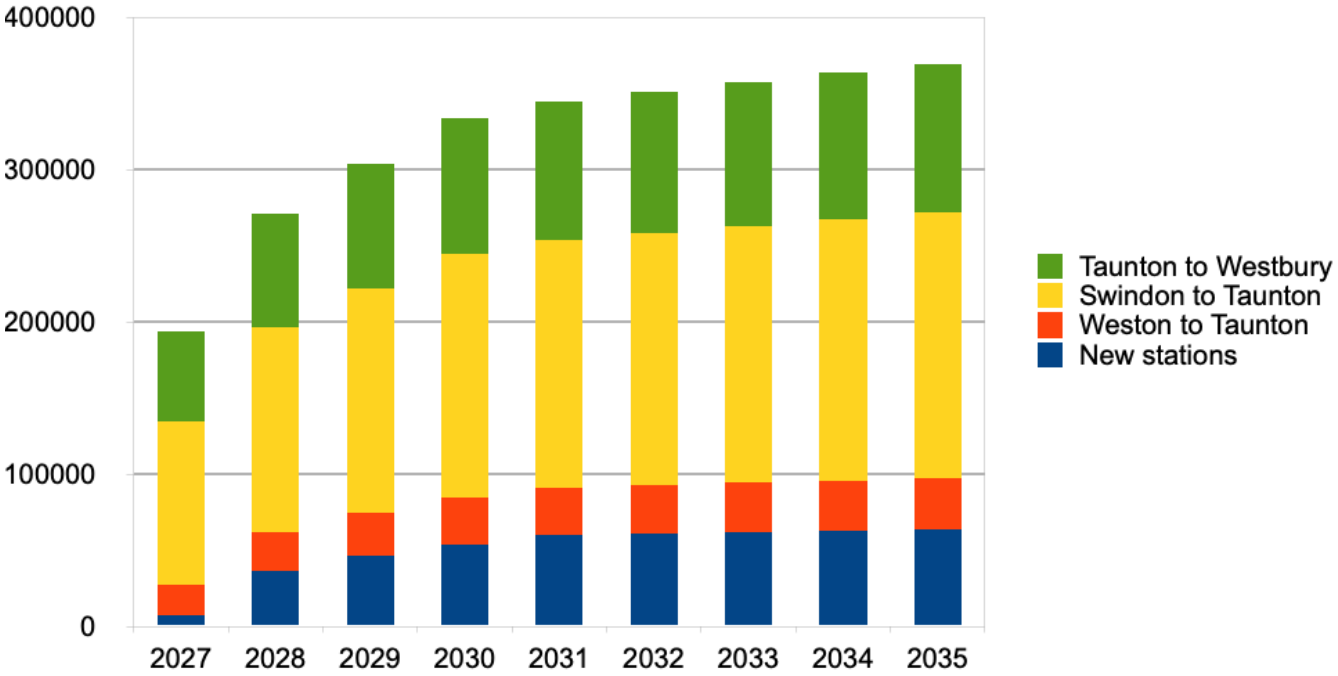
First, there are the regulated fares increases since 2022 which correspond fairly closely to CPI inflation. Secondly, we note that 4% of the operational days in 2022 saw industrial action – a very high figure and likely to lead to a lot of journeys not taking place that otherwise might have done. We restore 2% of revenue to compensate for this effect.

We also argue that the recovery from Covid was not, in fact, complete in 2022. A significant number of people were ill (in many cases, with long Covid) and so unable to travel. Harder to pin down is the number of people who developed phobias and aversions to public transport which they will only gradually relax from. And while working from home is likely to prove a settled change in working habits, since 2022 we are aware that some modest 'reversion to mean' has taken place. Evidence for this comes from the survey of 'Entries and Exits' from stations to March 2024. Stations on our route showed a 7.3% increase over two years.

There have also been a number of significant changes to the attractiveness and connectivity of stations on our route that have either taken place since 2022, or are expected to happen in the next two years. In particular, there are several new stations that are either just opened or expected to open very soon – for example, Okehampton, Wellington and Portishead. Quantifying the overall effect of these changes is difficult, and it is not possible to apportion each effect to particular trips, routes or operators, but in combination they have the effect of creating growth in demand for rail transport in the south west region.

The final forecast is shown here, broken down by the main flows involved.

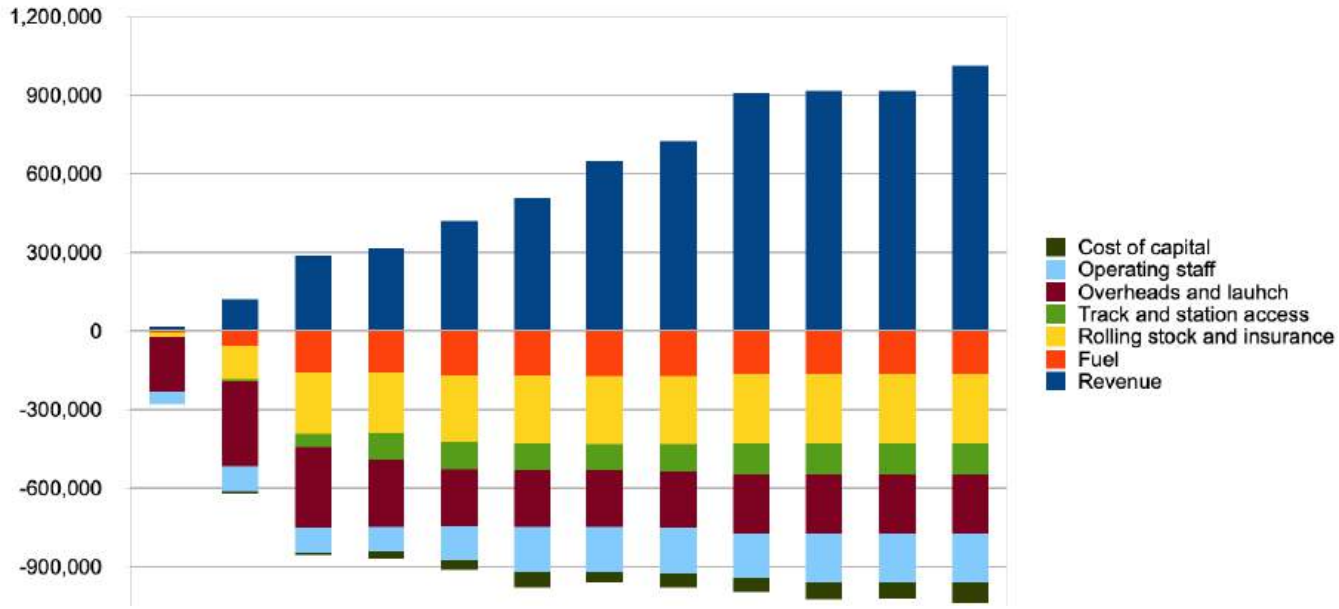
Passenger Revenue Build Up



MOBILISATION PLAN AND STAFF RECRUITMENT

The following chart illustrates the cash flow in the first two years (excluding capital transactions). It begins with the award of a track access contract, followed immediately by fundraising for the deposit on the lease of new railcars.

Cashflow by Quarter Years 0-2



During 2023, the executive team spends modest amounts on preparation for the launch of the service – this includes agreeing contracts for stabling, liasing with travel planners along the route and finding a suitable site for corporate headquarters. In the final quarter of 2022 and the first months of 2024, recruitment and shadow operation begin, ready for full operation later that year.

This shows the breakdown of the mobilisation budget:

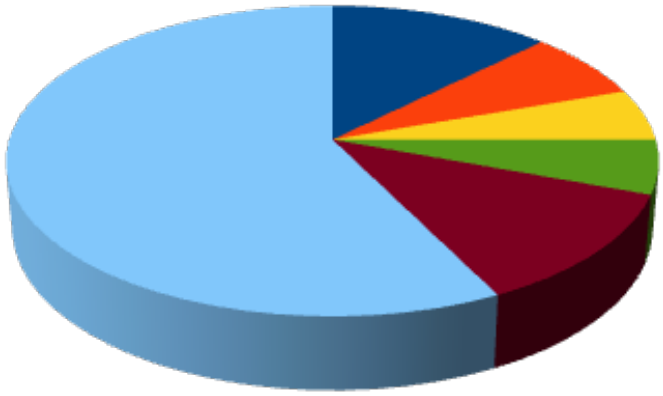
Note that the initial capital requirement, sufficient to begin operating trains, is dominated by the investment in improvements to level crossings on the route; and after that, preparation of rolling stock and pre-launch overheads (mostly senior staff salaries during the start up phase) are significant components. Only 5.4% spent on plant and equipment is for the acquisition of tangible assets; however, the work on level crossings contributes to an intangible capital asset – the track access contract, which cannot exist without this expenditure being incurred and is a transferable, duarable asset that could in theory be sold or used as collateral (though it is Go-op's clear intention to retain ownership for the benefit of members).

A further chart shows the longer term capital requirement totalling £6.7M. This includes the above items, but then also takes into account anticipated trading losses in the early years – partly funded by loans and partly through issuing more share capital as required (though with a lower target interest rate than the present share offer).

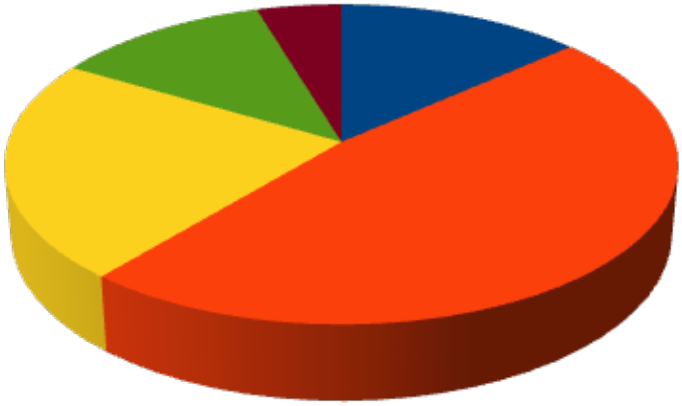
There is no question that the establishment of a completely new Train Operating Company in less than a year is a challenging goal. However, we have a comprehensive plan for both securing the necessary funds, and employing them with the support of professional start-up specialists to establish the organisational capabilities required; and also contingencies allowing us to outsource some functions to existing industry bodies in order to 'scaffold' our growth.

Month	Capital Assets 2024	Staffing and HQ	Compliance / due diligence
March 2025	Heads of terms agreed with ROSCO. Agree price and terms for sidings. Tender for level crossing improvements.	Conclude fundraising. Interview and appoint. Operations and Safety Directors.	Advance timetable development.
April	Launch share issue. Materials for rolling stock refurbishment ordered.	Psychometric and medical evaluation of trainees. Welcome to new members at local events.	Taunton facilities approval. SMS finalisation.
May - June	Final consultation with local authorities and LEPs. Commission modular buildings. Secure offer of loan finance.	Commence training first cohort of trainee drivers. Recruitment of remaining senior posts.	Class 153 route compatibility study. Formal agreements for light and periodic maintenance.
July - August	Establish Taunton HQ.	New board elected at AGM. Board induction and training.	May 26 priority date. Train operating licence application.
September - October	Works on level crossing safety begin. Initial payment for lease and refurbishment of rolling stock.	Recruitment of operations staff. Recruit senior drivers and second cohort of trainees.	Oct 24 timetable enhancements. Member consultation on route 2 development.
November - December	Complete safety certification. Possession of Thingley sidings. Advance ticket sales begin.	Trainee drivers begin to gain cab experience. Senior drivers acquire route knowledge. Taunton premises open.	Adoption of all contingency and diversion plans.
January - February 2026	Begin preparation of first unit for driver training. Consultation and engagement with members. Drawdown of first loan	Recruitment of marketing and fleet engineering staff. Trainees begin route learning.	Implement Competency. Management System.
March - April	Training and trials. Fuelling and CWT facilities installed.	Trainees acquire cab hours. Engage with station opening partnership.	Board and staff training in. SMS operation completed.
May	Soft launch – first passengers.	Trainees complete cab hours.	Adoption of bus substitution plans.
June - July	Extension of services; second unit in service.		2025 timetable development.
August - September	Review decarbonisation progress, options analysis	Implement timetable enhancements.	
Late 2026		Recruit third cohort of trainee drivers. Intensify marketing. Draw down further finance.	Complete data gathering for social impact reporting.

Go-op total capital requirement £6M



- Pre-launch overheads
- Launch expenses
- Plant and equipment
- Cost of capital
- Rolling stock preparation and trials



- Trading losses funded by open share issue
- Trading losses funded by debt finance
- Level crossing works
- Launch costs
- Rolling stock

Marketing and Promotion Strategy

Our nature as a co-operative social enterprise shapes our entire approach to marketing: it is based around persuading our customers to increasingly switch to low-carbon modes of transport, and encouraging customers to become members with whom we can conduct a sophisticated and sustained dialogue.

The venture will utilize a combination of methods to achieve the recognition that it both desires and needs. Our advertising will be planned to get our name and message in front of potential customers in times and places that will trigger behaviour change. Go-op will also utilize public relations to good advantage to extend and supplement its advertising budget.

Some key goals:

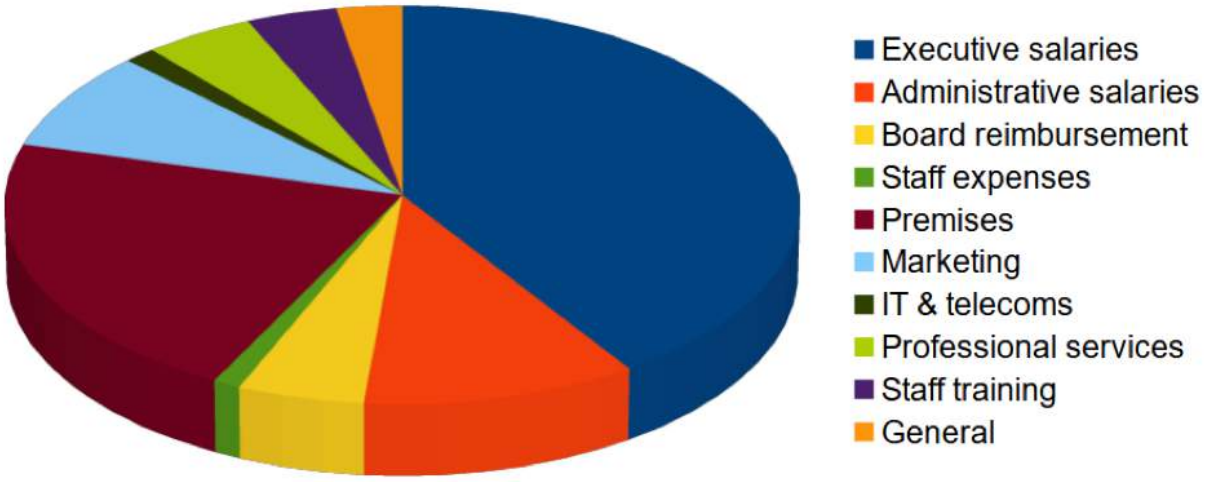
- Local timetables, so that routes and connections from a given starting point can be clearly seen. If we are going to persuade people to switch from car travel, they need to see the journeys that they could be taking.
- Affinity schemes, in particular involving the Co-operative Group and other social enterprises. By engaging highly trusted ethical enterprises in our marketing, we communicate the difference – as well as aiding other co-operative enterprises.
- Inviting our members to act as agents and advocates. This helps us to achieve penetration in local communities and priceless word-of-mouth endorsement.
- Multi-modal advertising: bus timetables advertise local rail services, rail services advertise local buses.
- On-train magazines play a useful role in building customer loyalty, promoting co-operative membership and encouraging the further development of green transport habits. Advertiser funding may well be sufficient to develop a magazine of our own; it would combine profiles of attractive destinations and sustainable transport modes with a flavour of community engagement and social activism.
- National ticket sales. The through ticketing system is a marketing device in its own right: a customer who looks for trains from Reading to Frome and finds our services identified as the fastest has received a powerful impartial recommendation. It is not only trains that can be advertised in this way – buses gain similar benefits on transportdirect.info, and can even appear on thetrainline.com as rail links (so a bus link from Bridgwater to Yeovil could enable our services to appear as the quickest way to get from North Somerset to Dorchester).
- Locally specific marketing. We will deliver highly targeted marketing in key communities along the route – Taunton, Frome, Yeovil and Melksham in particular – to build user membership, participation and encourage modal shift to the new service. Key partners in these areas will be the local co-operative development agencies: Somerset Co-op Services CIC, Co-operative Futures and CAN.
- This local promotion may well lead to the formation of local members' groups, who will be supported in regular events, promotions, special charter trains and visits from Go-op staff and board members. They will provide regular local stories for press and social media, at the same time as developing initiatives for our democratic processes and - over time - a future pool of co-operative Directors.

Everything about Go-op, from its name to its advertisements and literature should communicate its distinctive qualities.

Procurement strategy

As a social enterprise, Go-op is required by its rules to consider procurement not just as an exercise in value for money, but as a key opportunity to implement ethical values and achieve social returns. All tendering processes must be designed so that smaller firms with social benefits to offer, including other co-operatives, have a chance to engage. We will seek to build long term relationships in which mutual aid arises from shared values.

The breakdown of overheads during the first years of operation (excluding regular costs of capital and rolling stock) are slightly over 50% salaries for the permanent staff not directly involved in operating services: these are mostly made up of experienced professionals, but there are also cleaning and administrative staff on lower salaries. A fifth of overheads is for premises (including the sidings used for refuelling and light maintenance); other regular expenses include external marketing, consultancy, staff training, and telecoms and digital services.



Evaluating different sources of goods and services must take account of cost, in order to deliver good value to our members. However, many ethical considerations have long term financial benefits, and it will be important to quantify and include these benefits wherever possible. This may include hedging against future risks and trends, as well as considering suppliers as being a route by which to contact future passengers and members.

Driver training

Our greatest training commitment will be to bringing forward new drivers – we must assume that, beyond the relatively small number of experienced drivers that will provide leadership and guidance, most of our drivers must be trained rather than recruited from other TOCs.

Go-op has established a new charitable society to contribute to sustainable transport skills: Go-op Learn Limited is a charitable community co-operative bringing together trainees, trainers and community representatives to enable more people from disadvantaged and underrepresented backgrounds to gain skills and qualifications in sustainable transportation.

For training of train drivers we will be working closely with a partnership of businesses with a long history in the field – Traind Up, RPD. We are also investigating opportunities with other operators for drivers to gain early cab experience prior to the arrival of our own units. Go-op Learn will complement this by focusing on other skills – community organising, transport planning, and community energy development.

Our 2022/23 advertising campaign brought in over thirty applicants, and we are now going through a rigourous process of selection for the first cohort. Their training will begin immediately after the award of a track access contract on a remote learning basis, or desk based in Frome; later in the year, Go-op's experienced drivers will accompany trainees first on empty stock movements arranged on a short term contract basis, and then in 2024 the trainees will begin a probabtionary period of work on the passenger service under close supervision with our senior drivers.

FINANCIAL FORECASTS

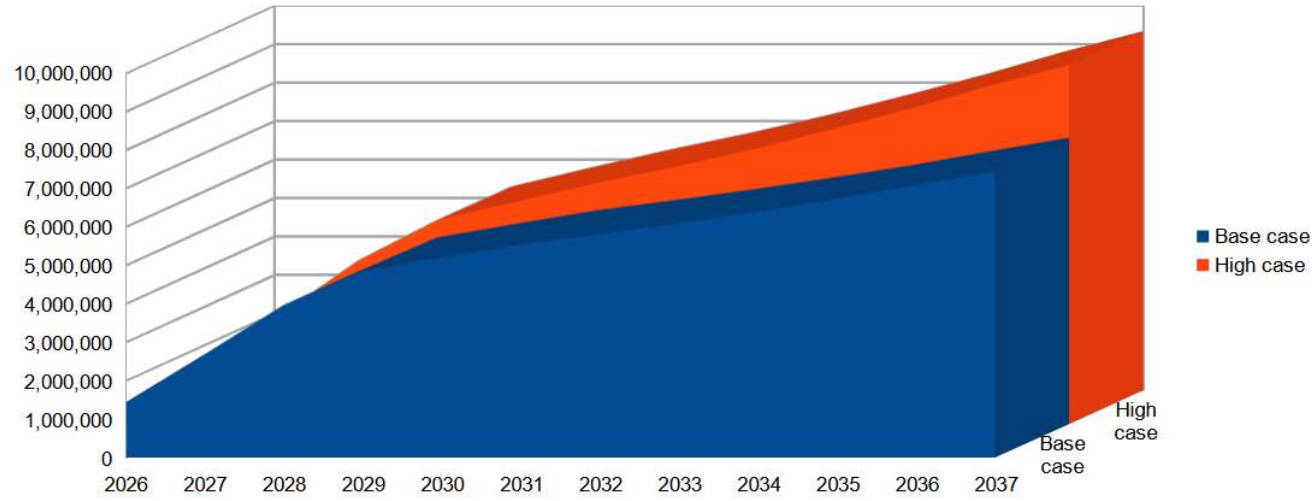
Average passenger load factors are expected to begin relatively low as passengers learn about the new service, and rise rapidly. Demand forecasting advice from The Railway Consultancy suggest that these load factors will rise rapidly as the travelling public discover the new opportunities, and gradually level off.

We have sought advice on multiple scenarios for the purposes of demand forecasting, so that we can show robust compliance with the NPA rule; these include the prospect of new stations at Langport & Somerton, and (with possible future route extensions) Wantage & Grove, Wellington and Cullompton. However, our business plan relies only on existing traffic flows for the stations currently on the rail network, so as to provide the most pessimistic possible baseline.

Two estimates are generated by the demand forecasting model:

- The base case makes highly conservative assumptions about future rail demand beyond 2019 (no more than forecast population growth)
- The high case assumes growth in demand on the trend of the previous 5 years, and in line with Network Rail's own forecasts.

Both assume a permanent reduction in patronage following the pandemic, resulting from a shift to remote working. Unless otherwise stated, all figures in this business plan relate to the base case.



As in the first eighteen months the service will only operate on part of the route and will include the first advance ticket sales, the low revenue in the first two years of trading should not be seen as directly comparable to subsequent years.

The load factor is the number of passengers each day as a percentage of the available seats; a typical journey is expected to be approximately a quarter of the whole route. The low percentages suggest that overcrowding is unlikely to be a problem over the life of the initial contract, and that in fact the challenge for Go-op is to make good use of the vacant seats.

Recent Financial History

	2017	2018	2019	2020	2021	2022	2023
Fixed Assets		15845	15845	39,101	89,135	155,635	197,143
Current Assets	113,373	147,261	128,566	124,812	106,693	64,988	2,828
Creditors	(2,293)	(23,267)	(17,286)	(42,479)	(150,207)	(152,229)	(144,988)
Term Liabilities	(105,000)	(105,000)	(105,000)	(105,000)	(39,201)	(39,201)	(30,630)
Net Assets	6,080	34,839	22,125	16,434	6,420	29,194	22,353

Represented by:

Share Capital	323,997	389,074	429,204	453,752	483,030	551,551	636,543
P&L	(317,917)	(354,235)	(407,079)	(437,318)	(476,610)	(522,357)	(614,190)
Shareholder Funds	6,080	34,839	22,125	16,434	6,420	29,194	22,353

Important Forecasting Assumptions

Every effort was made to be realistic in our assumptions, and if anything they were formulated conservatively. RPI itself is set in the model in line with the most recent forecasts provided by the Bank of England.

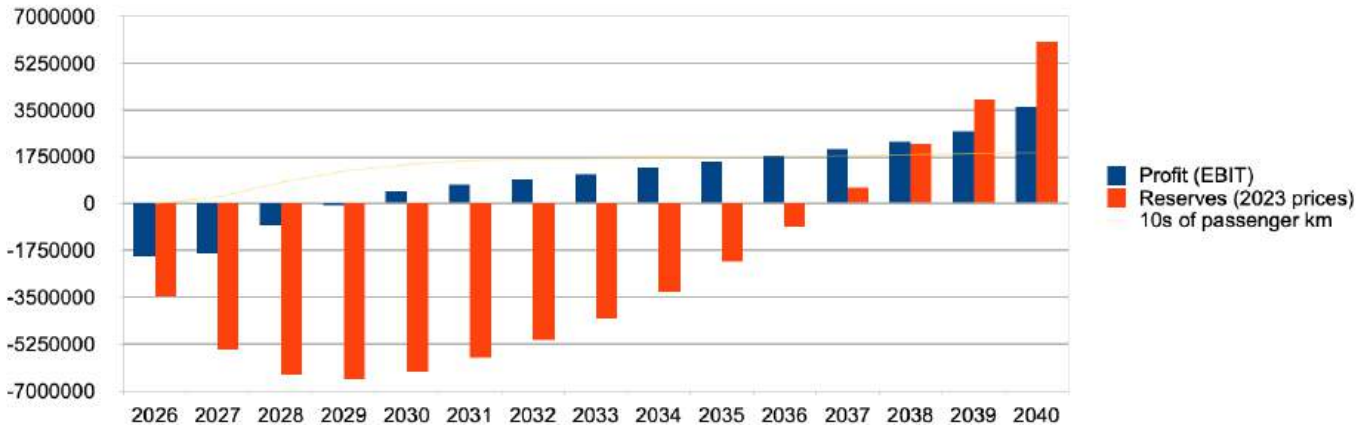
Our models have been tested with inflation assumed to be 0.6% above RPI for ticket prices (as regulated ticket prices return to trend after recent below-inflation rises) and 0.75% above RPI for the costs of staff and salaries. Other operating costs are also expected to rise with RPI (however, fuel is an exception – see below). This reflects pressure both from regulators and passengers for fares to be controlled, as well as the experience of inflationary pressures disproportionately affecting the rail industry. Again, we consider this a cautious, conservative projection.

The cost of fuel is peculiarly hard to forecast, as it is volatile at the best of times and steep rises in carbon pricing will now be necessary in order to avoid catastrophic global heating. We have been following the development of E-fuels (see the chapter on decarbonisation below) and rather than budgeting for the typical cost of diesel today with above-inflation price rises to come, we have instead opted for a highly inflated cost of fuel (consistent with the best available information about the likely cost of E-diesel) and below RPI inflation as scale of production brings the price down.

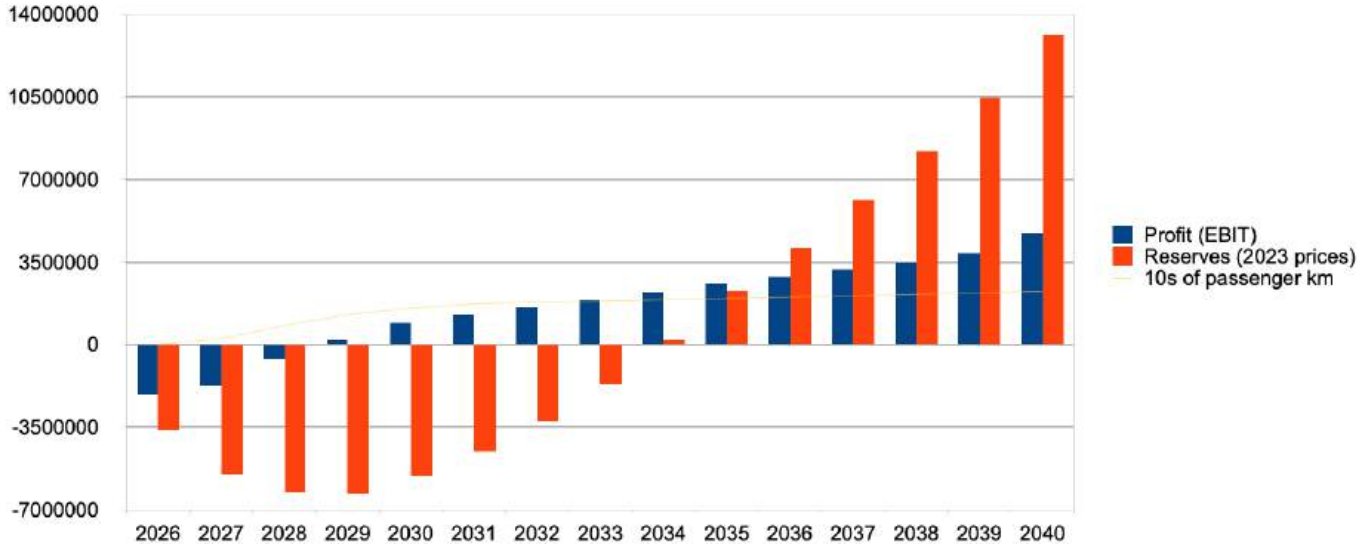
Our members would undoubtedly like us to find ways to cut ticket prices; however, we have opted to plan on the basis of closely tracking industry standard pricing but including some provision for discounts to members and commission to retailers (including of course other operators).

However, the objective of this exercise is to show that the proposed operation will be profitable first and foremost, and delivering better value for money to our members (as well as collective productivity bonuses to employees) is certainly supported in the 'high case' forecast.

This is the forecast outcome of the base case scenario:



In the high case the process is more rapid, with reserves positive two years earlier.



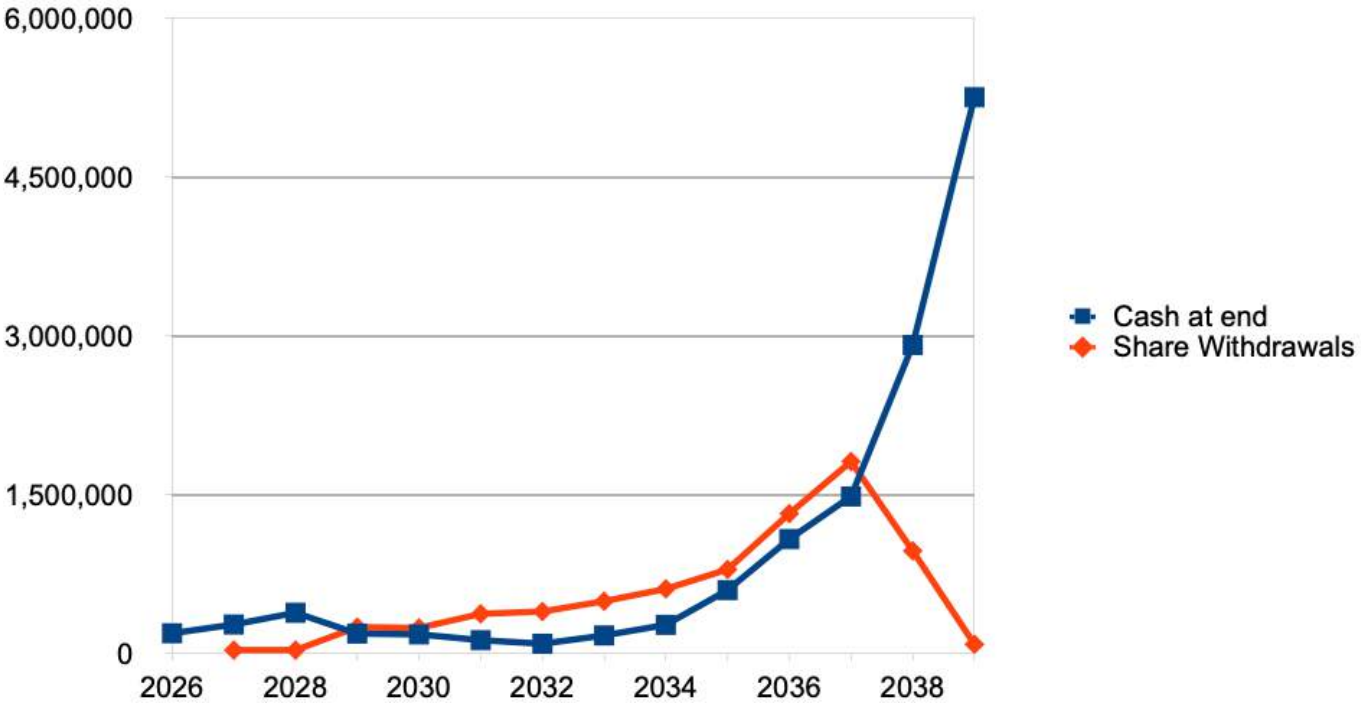
This means that members – both staff and customers – can in expect to benefit from fare reductions and co-operative dividends paid from profits in proportion to transactions.

However, the main use of profits will still be to invest in further public transport projects; in the rail network more widely; in more efficient and sustainable rolling stock; in public engagement towards healthier and cleaner forms of transport; and other expenditure related to our mission.

The timing of profitable trading will also have an impact on Go-op's ability to repay share capital; withdrawals (as opposed to churn, where new investment replaces old) are only possible when there is sufficient evidence of profitability.

To illustrate this, we can compare cash held at the bank (or available for investment) with share capital withdrawn in the base case, and in the high case. The blue line shows the growth in cash reserves after share withdrawals, the scale of which in each year is indicated by the red line. In both cases, share capital is assumed to be withdrawn to very low levels, less than £100,000. In reality it is likely that much investment will remain for the longer term and indeed that Go-op will launch further offers to fund expansion.

Cash reserves (Base case)



For more details of the assumptions governing share capital and withdrawals, see the chapter below on Funding and Finance.

Sensitivity Analysis

A crucial question is whether some of these projections rely excessively on variables that could yet turn against us. To assess this, we stress tested the an earlier version of the model with a range of scenarios.

There is some sensitivity to inflation – and indeed, because the model does not reflect the effect of travellers being 'priced off' the railway, it is likely to be underestimated here.

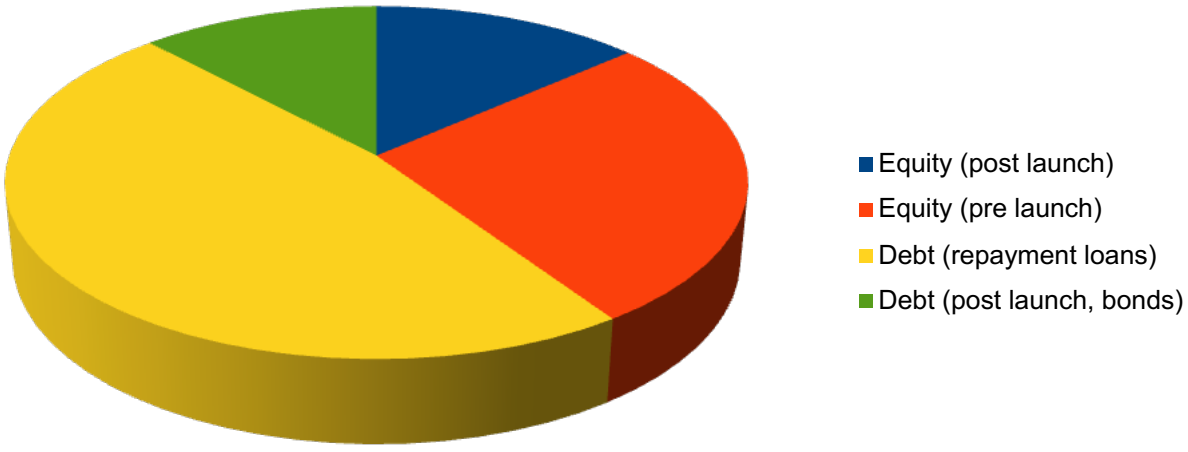
However, the most substantial sensitivity is of course demand. 2% fewer passengers than forecast leads to almost £100,000 less profits, as it is extremely difficult for expenditure to be moderated in response. That is not to say that there are no means of mitigation – there is some evidence to suggest that effectively targeted discounting coupled with intensive marketing can lead to better use of slack capacity. In some cases however, it may be necessary to evaluate individual train paths – services at the start or end of the day may simply be making losses to great to support.

There is also some sensitivity to interest rates, but as most lending is for relatively short terms compared to the length of the track access contract it is possible to control this expense. Indeed, the model did not test the potential for increased interest earned on deposits during periods of high base rates.

From this study, we can see that there are some key vulnerabilities. Firstly, the development of equity reserves is greatly damaged if we become over-reliant on debt finance. Secondly, rising and/or persistently high interest rates pose a real threat to profitability. There is undoubtedly vulnerability to demand proving lower than forecast, and also from a delay in the addition of stops at Bishops Lydeard and Somerton. A priority for 2024 will be the development of contingency plans – for example, replacing these stops with additional calls elsewhere.

Start-up finance

Co-operative Societies have the power to raise share capital from the public by issuing withdrawable shares, but in order to boost investor confidence we will aim to use an authorised prospectus. We do however want to combine equity with loan finance, as we can use the full-risk investment to leverage debt at lower cost. Crucially, we must demonstrate that we have a credible route to full financing before we commence services that will inevitably lose money as people gradually change their travel habits. This breakdown shows our finance requirements:



Go-op can only secure access rights that it is ready, able and willing to deliver. We therefore must have a detailed plan for funding startup costs, capital expenditure and early years losses. Those trading losses will be substantial – almost £4M – and so in the years following launch we will need to issue additional equity through an open share offer to our members; issue bonds to investors; and extend the scale of our repayment loans.

The scale of this fundraising is not unprecedented for a co-operative society – it is similar in nature to the finance raised by some of the larger community energy schemes. However, the risk profile and the sector are different, and so we have spent some time engaging with investment professionals to secure the best advice on what level of returns will be necessary to attract and retain the necessary investment. Undercapitalisation has proved to be a risk for co-operatives, and open access rail operators, in the past. We are determined to develop a range of sources for both debt and equity finance to ensure that our new services have the time that they need to achieve profitability.

Equity – full risk share capital

A time limited share offer is now underway, hosted by Crowdfunder. The target is £2.8M, sufficient to begin operations in the May 2026 timetable period. However, this target may be met either through equity alone or a combination of equity and in-principle offers of loan finance. Our existing members have been involved in the process leading up to the share offer and given first option to invest prior to launch; however in the event that the share offer is oversubscribed, an equitable formula will be used to limit new investments that treats new and existing members alike.

Shares are available to small investors (in the case of users of our services, just £25) but, the benefit of tax relief will only be offered to those investing £500 or more. Special purpose shares with enhanced rates of interest and bonus interest in the event that high case revenues are achieved are available only to early investors. The average rate of interest is therefore the result of some higher and some lower rates; where possible we will seek to bring it down by preferring to have a large number of small investors than a small number of large ones.

Some of the advantages that we have as we approach this are:

- We expect significant further support from the retail co-operatives that are already supporting us (Central England, Midcounties and the Phone Co-op) as well as those that have been less directly engaged but still supportive (The Co-op Group and Southern Co-op).
- Our track record of claiming Enterprise Investment Scheme tax relief for our members provides reassurance for investors. We know of no reason that future EIS claims should not be equally successful.
- Our history of successful fundraising – we have already secured over £400k – shows that we are able to access support from a wide range of stakeholders. That has been achieved with little or no publicity.

A successful share issue is essential to meet the conditions on our track access approval, and also enables rolling stock to be contracted. The share issue target may also be met by securing offers in principal of loan finance.

Debt finance

There are also good grounds for including a substantial element of debt finance alongside members' equity. The gearing of the business is an important concern. Use of bank debt will enable us to concentrate profits on a smaller number of investors, and it can be repaid so as to allow reserves to be built up. Offers of loan secured in advance will also provide important reassurance to Network Rail and the Office of Rail Regulation that we have the financial backing to deliver a resilient service.

Our preference is to work with banks that have an ethical or social policy such as Triodos and the Co-operative Bank. So far, we have been told that our lack of trading history, and the complexity of the sector, prevents them from engaging. However once our trains begin to run we will become much more investment-ready from their point of view.

There are other, more specialised lenders that are perhaps better placed to assist. Co-operative & Community Finance is the trading name of the ICOF family of businesses, and they have responded positively to the idea of lending alongside equity investors in the present share offer. The South West Investment Fund makes loans specifically for businesses turned down by other lenders, and provided we begin to run trains as planned they have indicated they would then be interested in receiving an application.

Another possibility for securing this loan finance is via the local authorities on the route. The capital investment required is roughly equally split between Somerset and Wiltshire (two level crossings in each needing major works) and we have clearly expressed support for the service from both Somerset and Wiltshire Councils (now both unitary authorities). This may or may not require the use of Public Works Loan Board funding, but we have modelled the structure of the loan on the basis that this is the case.

Although the loan would not have the benefit of conventional assets as collateral, it can be linked directly to the track access contract. In the event that another operator were to provide these services and not Go-op, repayments could continue without interruption as a condition of holding the contract. That would provide sufficient assurance that the Councils were neither exposed to excessive risk nor 'picking winners'. Instead, they are making an investment in the infrastructure to enable new services in their counties, which is of demonstrable benefit to local residents.

INVESTMENT STRATEGY

Any addition of services must carry an increase in network risks – disruptive events that can cause delays and cancellations over a significant period of time. As a responsible operator, we need to consider how our business can anticipate these risks and – through commercially viable investments – offset them.

Against these, there is the investment that new operators make in the national railway network. In our case, Network Rail have asked that we deliver a programme of improvements to level crossings, and this was cited by the ORR as a condition of track access approval.

Level crossing safety improvements

Network Rail's Western Route Level Crossings team have been able to model in more detail the increased risk from higher traffic volumes and in particular the instances where the risk category has been elevated. We have agreed with Network Rail a package of works to mitigate this increase in risk. In some cases these are modest, comprising new signage, surfaces or lighting. In other, more serious, cases the cost of mitigating risks is much higher. One of the more expensive options that Go-op might consider is Overlay Miniature Stop Light (OMSL) systems – this would mitigate risk to a substantial degree.

The table on the following page details the recommendations from Network Rail as of December 2022 to mitigate this increased level of risk. In each case, the increase in traffic has caused the calculated risk score to move up to a higher level. We have accepted these recommendations in full.

Crossing Name	Mitigation	Go-op tpd (max)	Go-op % increase
Somerton No2 (Public footpath)	OMSL	20	49%
Parsonage Farm (Public ROW / User worked private crossing)	OMSL	20	49%
Melksham 92 (Public footpath)	OMSL	12	33%
Masters (Public ROW / User worked private crossing)	OMSL	20	13%
Wheathill (Public footpath)	Install surface/handrails	20	49%
Stanmoor (Public footpath)	Retained Decision Points/6ft	20	44%
Huntspill Level (Public footpath)	Retained Decision Points/6ft	8	10%
Lacock 2 (Public footpath)	Retained Decision Points	12	33%

The right hand column shows the extent of the increase in traffic that Go-op is bringing about – so for example, the number of trains passing through Melksham and Frome is relatively low, so Go-op's station calls make a substantial difference. Elsewhere, for example between Castle Cary and Trowbridge, the line is busier – but even so it is possible for Go-op's relatively small addition of services to push the risk level into an elevated state. This assessment must take account not only of firm rights, but also contingent rights – it is a 'worst case scenario'.

However it does not take account of the contribution of other operators who may be introducing new services at the same time (for example, between Bristol and Westbury) or changing their specified rolling stock. We understand that in such cases, those operators too have been called upon to make a similar contribution.

Go-op can contribute to reducing risk on level crossings in a number of ways. It can fund (or, as risks grow with service levels from 2024 on, co-fund with Network Rail) a range of improvements. These begin with refreshing hardware and changing layout and lines of sight; and may progress to more ambitious infrastructure changes such as footbridges.

Network Rail have offered the following guidance on budgeting: "Based on CP6 costs and the ICM, a simple OMSL (Overlay Miniature Stop Light) could vary between c.£150k – 200k. A OMSL 'Flex' system which can deal with simple conflicts such as signals within the strike in points c.£250k, and if a fully functioning MSL integrated with the signalling system is required, the starting point is c.£980k. Commissioning the design work will clarify this… could vary from a basic improvement of the Decision Point at each side of the crossing, to the full renewal of the surface. A minimum of c.£5k - £30k depending on levels."

The timing of the works is an obvious concern; they should certainly be completed before our full service comes into effect. Network Rail have warned that "the earliest interventions of any sort could be delivered would be in Year 1 of CP7 (2024-25)" and that even before delivery can commence "agreement from the Signalling RAM that these assets can be upgraded. It will have to factor in changes and upgrades to signaller workstations, competencies of the staff who will need to maintain the asset".

In order to ensure that the work is implemented in a timely fashion, we propose to commission our own survey and design for OMSL and other civils, and directly contract suitably qualified civil engineers to implement them. Amey and Thales are both companies with extensive experience of working on railway crossing and signalling infrastructure.

Go-op will launch a competitive tender for the work imminently, with a view to seeking the agreement of the Signaller RAM and Western Route Level Crossing Team in the months immediately following award of a track access contract.

Decarbonisation strategy

Diesel operation is more or less unavoidable in the early years of operation. This is hard to explain to our members given the urgent need to reduce climate-hazardous emissions, and the ongoing issues with particulate air pollution, and repeated claims that the entire UK railway will be decarbonised by 2040. In fact, however, rolling stock leasing companies are continuing to purchase new diesel units that have operating lives well beyond 2040 and progress on electrification is incremental at best. We therefore have no choice but to begin the service using diesel rolling stock, while knowing that the pressure to abandon fossil fuels is only going to intensify. There are a number of options for achieving greatly reduced or zero carbon impact under these circumstances.

Carbon offset – external, quality assured	Well regulated and thought-through carbon offsets can deliver real climate impacts in a relevant timeframe (though tree planting, one of the best known options, is relatively slow to deliver benefits). However, it remains extremely difficult to show additionality (the impacts might have happened anyway) and it fails to address the key issue – fossil fuels being extracted from reserves. Leaving carbon in the ground is almost always the most cost effective carbon reduction approach, and offsets must involve transaction costs.
Carbon offset – local or internal, independently audited	Internal offsetting would have to be independently audited and will always be prone to uncertainties over additionality. However, there is more efficiency in internal delivery and where other options are expensive this approach can tip the balance in favour of multiple significant investments in decarbonisation.
Synthetic diesel	The manufacture of diesel fuel from renewable electricity being applied to basic feedstocks such as water, carbon dioxide and biomethane is still in its infancy. Energy efficiency is likely to be poor with less than half the energy productively employed compared to direct electric power, and costs very significantly higher than fossil diesel. However, the existing drivetrain of a DMU can be re-used with minimal modification. The industry is developing slowly, and at the time of writing it is not available as a commercial product.
Biodiesel	Biodiesel is a genuinely net zero carbon fuel made from food and agricultural wastes, and like synthetic diesel it requires little or no modification of existing plant. However, there is concern that the value of biodiesel is such that in some cases food products will be used as feedstock, with potentially damaging effects on land use and food security. In the UK, incentivisation of biodiesel is through relief from road fuel taxation. For this reason, it is most in demand as a fuel for cars and given the limited supply from waste sources it is unlikely to be suitable for Go-op.
Biomethane	Biomethane is a clean burning, zero carbon fuel made from agricultural residues. It can also have additional benefits such as sequestration of carbon in soil and prevention of fugitive methane emissions. However, even with substantial scaling up of the industry the volume of supply is likely to be small relative to present consumption of natural gas. The Committee on Climate Change has recommended that it be reserved for industrial process heating, where it would be particularly valuable.
Green Hydrogen	There is considerable activity around the use of hydrogen as a rail fuel, for example Porterbrook's Hydroflex demonstration. However, the supply of green hydrogen remains limited, expensive and inefficient (almost half the energy input is not productively employed). Safe storage and fuelling also remains challenging.

Hybrid or battery traction	Battery technology has made rapid advances in the automotive sector, though rail does not enjoy the economies of scale of the car industry. Costs have fallen significantly, and performance greatly improved with some batteries (notably lithium iron phosphate) having excellent durability and some (notably lithium manganese) having good energy and power density. However, the time taken to fully recharge remains long by comparison with liquid fuels and the weight of larger batteries suitable for 80mph+ operation and journey lengths in excess of 50 miles means that performance comes at the expense of capacity. Charging systems include proprietorial (Bombardier, Vivarail), overhead high voltage electricity (for rapid charge, using a rail rather than a wire) and third rail (good currents can be obtained using standard components). A lineside battery is typically required to avoid making unrealistic demands of the local grid when fast charging. Our 2019 feasibility study found that conversion of off-lease electric multiple units to battery operation was deliverable; however, in recent years manufacturers such as Stadler and Siemens have introduced purpose-built BEMUs to a number of European railways.
Aerodynamic farings	Our feasibility study in 2021, commissioned from Southampton University's Wolfson Unit, found that fuel savings of 5-8% were achievable with the addition of simple aerodynamic farings on DMUs. On the face of it, this is a straightforward option – reduced emissions and reduced expense. However, for the payback period to be manageable, there needs to be some volume: an engineering design for the safe mounting of the farings is only affordable when applied to a larger number of trains than are likely to be in Go-op's fleet, and those being relatively new with much of their design life remaining.

Our conclusion is that biofuels are of questionable value, and carbon offsetting is a poor second choice after carbon reduction. The gains from aerodynamic farings may be realisable if shared with other operators, but even they are too small to be the basis of a truly sustainable railway.

Biomethane and green hydrogen do certainly have a role in decarbonisation, but we are yet to be persuaded that it is on the railways in the first instance. That leaves us with two viable options: battery traction conversions, and the use of synthetic diesel from renewable sources. Both will be areas of intense research for us in coming years; however, for the purposes of this business plan we have limited ourselves to the rolling stock available to us now.

Assuming that Go-op is able to operate very low carbon trains someone switching from road to Go-op rail is going to cut their carbon emissions by an average of 95-97% (based, admittedly, on current low levels of electric car ownership). We make that about 2,700 tonnes of CO2 emissions avoided – for comparison, a typical person in the UK will be responsible for 10 tonnes each each year.

Our approach and priorities

Go-op is still at an early stage in its development and has such a limited impact on the network that we must recognise the limits on the contribution that we can and ought to make to resolving network constraints.

Not all investments are to infrastructure. A limit on the growth of the rail network is skilled staff such as drivers and train planners. Our investment – already made – in the establishment of a new, charitable community enterprise to provide training and employment for apprentices is an example of this, as is the feasibility study that we part-funded with Innovate UK into converting EMUs to battery power.

As patronage builds and we consider adding additional diagrams, more of these prospective projects will achieve a strong alignment between network benefits and our members aspirations. In many cases we can make our resources go further by forming partnerships with public bodies, community land trusts and new co-operatives, and attract funding for long term improvements by incorporating them into a package of work that supports brand new and profitable income generation opportunities. These would be ideal candidates for investment, and they will be our priority in the medium and long term.

PERFORMANCE OPTIMISATION

A crucial question for any proposed new service is the impact it will have on other network users. In 2019, Go-op commissioned Tracsis to carry out a perturbed simulation of our timetable in order to provide a quantitative delay analysis.

This allows us to consider how the timetable reacts to these delays, such as when paths are planned more tightly we expect more knock-on delay. The outputs from perturbed modelling are delay minutes, average lateness graphs (AMLs) and punctuality comparisons. We would not recommend detailed comparisons of technical conflicts without a more detailed signalling check.

It was agreed that the most important area for analysis is the single line between Chippenham and Trowbridge. For performance modelling, to allow the model to work properly, we extended this area to allow trains to run in a more realistic way over the single line. This is due to the way entry delay can drop trains into the model, and also to produce graphs (AMLs) which can be analysed.

The full scope of the study was to:

- Extend north from Chippenham to Wootton Bassett, with Wootton Bassett junction as a model entry location only (exclusive of interactions on other routes).
- Extend from Chippenham and Bradford Junction to Bath Spa.
- And from Bradford Junction down to Trowbridge with Westbury as an entry only.
- Where locations are modelled as entry only, only trains to/from the selected route will be included. So, this would not include platforming and station working at Westbury or Swindon. Including those would extend the timescales by including further run ins on each route as well as modelling the station working and turnarounds.

We found most routes within the area are little affected, but the Westbury to Wootton Bassett route is most affected (only 8s on average). Within this route a few specific GWR class 2 services can be affected when they are already late departing Westbury, and are then held back at Trowbridge to allow Go-op services to run in the opposite direction on the single line first. This is partly because class 1 services are given priority over class 2 services in RailSys (2019 Network Rail standards).

The punctuality of GWR services is affected by -0.2% at 5 minutes and -0.1% at 10 minutes. The SWT services in the model (only 10 trains) are affected by -0.1% at both 5 and 10 minutes. These figures only reflect the services in the model area on exit from the model. 10 services represent a very small proportion of SWT services, so 0.1% on these services is likely to be lost in rounding, when it comes to the whole TOC. These services may also recover later in their journey beyond the study area.

2021 Performance Review

By 2021, however, the timetable context had changed and our service offer had also evolved. In order to ensure that the timetable we put forward was resilient and deliverable, we commissioned a further piece of work from Tracsis – a full desktop resilience review, which identifies risk areas in individual train paths as well as unit and train crew diagrams. Mitigation consisted both of adjustments to the timetable to reduce risk and improve recovery options, and also recommendations for control and quality procedures.

Go-op is happy to endorse the recommended approach to managing performance, which stresses collaboration with industry partners in pursuit of the objective of punctuality and reliability – in particular, through:

- iterative development of train paths to improve timetable robustness
- instilling On Time performance culture throughout the business, mitigating the risks associated with minimum dwell times
- compliance with Route contingency plans for reduced capacity
- implementing service recovery plans to manage own service perturbation
- collaborative performance review with NR and operators with a willingness to change strategy and adopt innovative solutions where required to deliver member benefit

Tracsis have recommended the adoption of a service recovery plan in the event of a major perturbation – for example, between Wootton Bassett Junction and Swindon. The first step is to switch to a shorter route with turnback at Westbury and Melksham, to allow Somerset journeys to continue with minimal disruption. At the same time there needs to be a suitable rail replacement option prepared – Go-op's planned partnership with new co-operative bus operators is relevant here, as routes normally acting as 'feeders' to Go-op station calls could be modified to provide rail replacement.

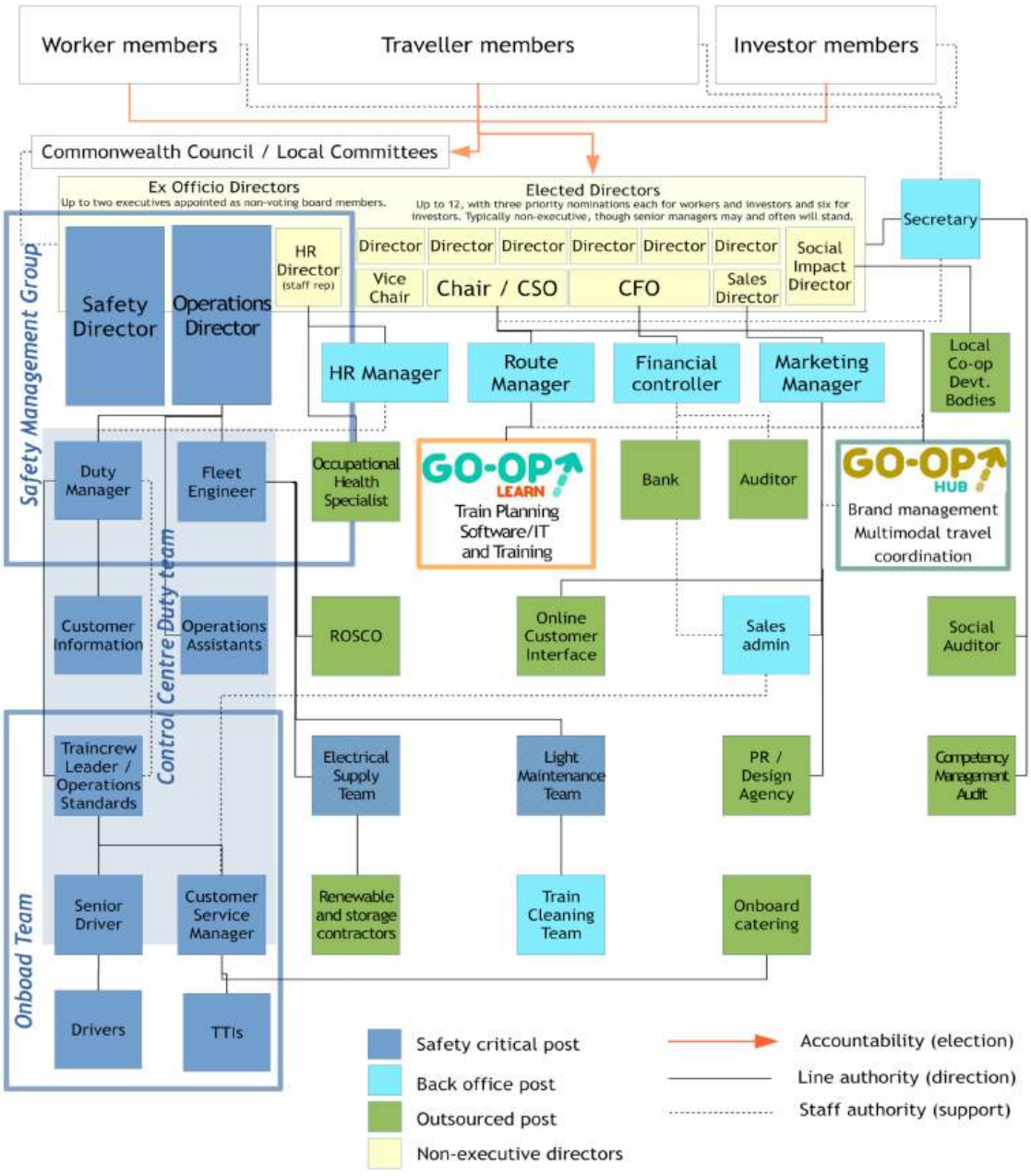
The final element of the review was a Static Perturbation Analysis on the three timetabled services considered to have the greatest performance risks. A series of scenarios were tested and the possible impacts evaluated, leading to recommendations for 'on the day' and 'planning' mitigation strategies. Some changes to the timetable, including an earlier start from Taunton to provide additional recovery time, have now been incorporated into the timetable.

Some generic performance risks have also been considered.

Risk	Mitigation
Unit failure in traffic	Class 156 units have two engine - low likelihood of complete failure. Go-op's Defective On Train Equipment (DOTE) plan should ensure that units do not enter service with high-risk faults, and define suitable locations for units to be taken out of service if a fault occurs en route. Go-op to create a contingency plan for assistance of a disabled unit in conjunction with other Operators and NR Route Control; and a technical support helpline for drivers. Driver competency training to include simple fault finding and repairs.
Driver incapacitated during shift; unable to complete scheduled diagram	Go-op Control Manual to include a procedure for managing this scenario, including contractual arrangements with other Operators.
Guard incapacitated during shift; unable to complete scheduled diagram	Go-op Control Manual to include a procedure for managing this scenario, including contractual arrangements with other Operators.
Passenger taken ill on train	Go-op Control Manual to include a procedure for dealing with ill passengers in line with other Operators' "ill passengers" procedures.
Late starts from station and station overtime	Go-op to develop strong performance culture among drivers and guards alongside safety culture which underpins good performance. They should be made aware that "every second counts."
Late starts due to train crew short notice absence	Go-op train crew establishment to include provision of spare turns with availability at critical times of day.
When there is an unplanned blockage of core route, the lack of diversionary route knowledge hinders NR's management of the infrastructure and stranded trains can delay other Operators' services	Go-op to consider diversionary route knowledge strategy which could include: • Frome Avoiding Line • Westbury Station: all platforms and sidings where units can be stabled • Fairwood Junction - Heywood Junction - Hawkeridge Junction • Bradford Junction - Thingley Junction via Bathampton Junction / Bath Spa • Taunton - Thingley Junction via Bristol Temple Meads including Uphill Junction - Worle Junction avoiding Weston-super-Mare • Swindon Station: all platforms and sidings where units can be stabled
Lapse of diversionary route knowledge	Driver and guard establishment to include capacity for staff to carry out route refreshing when required

HUMAN RESOURCES

Go-op has put together what it believes is a solid management team combining extensive industry experience as well as significant skills in finance, accountancy, and management. An initial project team is in place, but with more advanced planning and investment, the full core management team will be expanded and its members brought on-board.



Organisational Structure

Reflecting the overall nature of the organization envisaged, there is relatively little hierarchy in the organizational plan. In an operation where safety and accountability are so much at issue there also have to be clear lines of authority (and expertise) in the operational aspects of the venture. But beyond that, the organization is designed around flexibility, a high level of personal accountability and responsibility, and common cross-training and sharing of responsibilities as need arises and circumstances permit.

Salary scales and levels of authority have been simplified and based on a rational scale allowing for similar levels, though of different natures, of functional work to be compensated at the same pay levels. We have adopted a policy of wage differentials within the organisation not exceeding 4 to 1. The overall objective is to foster an atmosphere of cooperation and shared responsibility for the overall mission, which is to provide the customer and client with the best possible, safest, and satisfying experience. Cross-training and cross-functioning are important parts of the organization plan, as explained in more detail elsewhere in this document.

SOCIAL IMPACTS

We have always been clear that it is not enough for us simply to deliver a good value, high quality public service – any decent rail operator would seek to do that. We see ourselves as a co-operative that is also a social enterprise and aims to use its resources to deliver social benefits to those users and user communities that are most in need.

Social routes

Most importantly, social impact is a factor when we are planning routes. We ask ourselves not only: is this route profitable and will it function efficiently? But also: will it be of benefit to communities that are presently geographically disadvantaged and will it improve the mobility of everyone in those communities?

While there are issues answering such complex questions directly, we can use business productivity as a proxy for community development. A 2018 study tested two hypotheses: that improvements to rail services boost the attractiveness of settlements, generating more settled communities and more business investment; and that the benefits to businesses will trigger productivity and efficiency gains.

The settlements that Go-op is bringing significant 'agglomeration benefits' to include Yeovil, Castle Cary, Frome, Melksham, Chippenham and Taunton itself. The combined populations are about 200,000 people, of whom perhaps 50,000 are or might be employed in local businesses. Productivity gains of just 2.5% applied to an average wage could reasonably be quantified as worth £37.5M each year.

A more ambitious approach would be to target locations where local enterprise is – relative to the population – underdeveloped. These can be harder to make a business case for, as much of the route's revenue may not arise until several years have passed and the positive impact on the local economy has crystallised.

There is the opportunity for some routes to subsidise others within our corporate structure. Successful operations in relatively prosperous areas might allow us to divert some profits towards both researching routes where the financial returns are uncertain, and also subsidising the operation of some routes that have unusually high benefit for disadvantaged groups but are not themselves adequately profitable to stand alone. We believe that we have the support of our members and investors for doing this.

In the long term, this can and should influence our choices of mainline routes, in the light of consultation with affected communities. In the near term, it is more likely to take the form of bus routes aimed at deprived communities that will support the enterprise, health and financial prospects of the people living there; or ultra light rail developments that incorporate social housing or social enterprise incubation in the design.

Equalities – seeking to set new standards for employment opportunities

One of Go-op's key aims is to improve the mobility and opportunities of disadvantaged groups. This is obviously something that offers benefits to the business directly, as it can get more customers and a wider pool of potential employees. However, to make any claim to truly helping disadvantaged groups, we must go beyond everyday best practice to explore more radical measures that will compensate for inequalities elsewhere in the transport sector.

Social firms have been very effective in creating jobs that are specifically for people with disabilities – however, they often give those people very little voice or status in the organisation. Only half of disabled people of working age are in work, compared to 80% of non-disabled (and 20% of the population have some form of disability). Hourly wages are significantly lower. We could take a leaf out of their book by operating a recruitment and training programme specifically for people with the types of disabilities that often exclude them from the labour market but do not prevent them doing a good job for us. This will help us to prioritise the accessibility of our trains and stations – which will pay dividends by encouraging disabled people to use our trains.

Mobility is an issue in the South West partly because its geography makes for sparse and smaller settlements that can limit opportunity and increase impacts from car travel. It is also one of the regions in which disability has the greatest impact on employment – only three other regions have such a large gap between disabled employment and non-disabled employment.

Transportation systems should prevent mobility impairments leading to disablement, but many market towns still have too poor a level of service for this to be of any help. Around 3% of people aged 26-44 have a mobility impairment (often combined with long term pain, or with a long term health condition) and they are three times as likely to be unemployed. When they are in employment their earnings are significantly lower. In our area, that could be 2,000 disabled people able to improve their incomes as a result of the new services we are introducing.

It is also the case that women make up a disproportionately small part of the workforce on railways despite being just as capable of doing a good job as men. Again, the process of recruitment and training is important here: previous surveys suggest that concerns about career progression, work patterns and personal safety have put women off applying for frontline jobs in public transport – all things that we can do something about.

Disadvantaged travellers – building on best practice

As a public transport business, we are in a particularly good position to enable organisations working with disadvantaged and disabled young people to provide day trips and outings. When we are running off peak services and have spare capacity, we should think about whether someone could be making good use of those empty seats.

In some cases these can be given away free or virtually free (there are grounds for a minimum charge of, say, £1); in other cases (for example, benefits claimants) a discounted rate for purchases through our website might be more appropriate. The aim should be additional journeys rather than just cheaper journeys, where possible – while there is little danger of abstraction from full-fare tickets at present, we don't want to be seen to be undermining rail profitability overall.

This is not in itself radical – other train companies have run similar initiatives, such as the offer to job seekers by C2C in London (6 free tickets to interview and 2 months free travel for new starters, delivered via job centres). We can widen the scope of such schemes; use our membership system to widen knowledge of and access to these reduced tickets; and offer some members (those on low incomes, or working with disadvantaged groups) off peak travel tickets that compete with even the cheapest car travel.

Solidarity – building the co-operative and community economy

Go-op is clearly well placed to co-operate with other co-operatives and promote the community economy more widely through intertrading, education and mutual aid. Some of the actions needed are already specifically identified in our governance , but there is the opportunity to go beyond these minimal requirements to bring these values into everyday business practice.

Community and social enterprises tend to have lower profiles than conventional businesses - even though they may have a really good story to tell. Our vehicles and stations are great places to advertise their work and we should make display space available for local organisations. We can also publish an on board magazine and provide other media such as wi-fi and entertainment systems; these should also carry content about co-operative and charitable endeavours that need the participation of our passengers.

Sustainable transport beyond the basics

Any displacement of people from cars to rail or bus is a definite environmental win – especially when combined with cycling. On non-electric routes, we will need to innovate to achieve further significant carbon reductions (discussed elsewhere in this document)

The natural beauty of the west country can obscure serious problems with pollution, especially where car transport is the only way to get around. Compared to other parts of the south west, nitrogen dioxide levels around Melksham are above average – and in 2010 the highest levels in Wiltshire were recorded on a relatively short stretch of Masons Lane in Bradford on Avon. Westbury and Bradford on Avon are still Air Quality Management Areas (AQMAs) today. Fine particulates are another related health risk – they are not just the sooty residue from burnt fuel, but also dust from car tyres and brakes. We now know that as well as respiratory disorders, they are implicated in cancers and heart disease; and they can even penetrate into the brain to damage cognitive function.

If 40% of our passengers will be new to the rail network they will be using cars less and so releasing less pollutants (rail travel is more efficient that car travel, so even if trains burn the same diesel they will burn only about a third as much for the same distance, and tyre particles are not an issue). If we estimate our 'catchment' as being about 350,000 people, who were previously driving around the national average of 3,500 miles per year, then Go-op's services alone could cut particulate pollution by a full percentage point in our area.

Further actions that we will take to deliver on sustainability include:

- We will have a designated cycling champion (a non-executive board member) who will work for improved interchange and draw public attention to the need for better cycle routes into stations. They should also support users of electric bikes and other electric vehicles.
- We will invest in year-round surveying of our customers travel habits (using existing methods of communication where possible), to better inform our social impact accounting and business planning.
- We will use our contacts with local authorities on our routes to press for improved monitoring of air quality and better collection of oil and farm wastes for recycling, rather than allowing open-air decomposition to release biogas as a pollutant when it could be a fuel. Ecological monitoring stations at our stations may form part of this policy.
- We will work with the Co-op Development Bodies in the south of England to support new low carbon co-operatives in our areas of operation, especially those making biogas more readily available to the transport sector. In addition, we will continue to discuss ways that we can work with rolling stock suppliers to reduce the carbon emissions of trains running on non-electrified routes.
- More broadly, we add our voice to campaigns for national and international action to control carbon emissions in line with the 350ppm target – thought by many to be the only viable route to the Paris agreement goal of no more than 1.5 degrees of temperature rise.

Cash Flow (Base case)

	2025	2026	2027	2028	2029	2030	2031	2032
Total ticket revenue	0	679,791	2,195,592	3,489,590	4,317,491	4,900,738	5,222,289	5,493,627
Other sales	0	43,958	180,959	322,149	595,127	672,063	712,515	745,741
Investment income	18,750	0	0	3,000	12,683	7,765	7,585	6,215
Total revenue	18,750	723,750	2,376,551	3,814,739	4,925,301	5,580,566	5,942,390	6,245,583
Fuel	0	376,015	674,530	645,999	731,510	752,785	776,113	802,436
Train crew	0	278,645	513,214	586,476	607,342	625,937	648,784	674,295
Control and insurance	0	208,389	385,465	422,103	452,905	471,835	492,129	513,331
Cleaning and servicing	0	99,897	176,836	189,682	306,793	316,186	327,727	340,528
Track access	0	45,402	82,011	88,592	91,741	94,550	98,001	101,857
Station access	0	42,495	310,660	408,490	443,323	456,896	473,572	490,858
Other cost of sales	0	36,342	128,795	213,808	270,626	306,234	325,325	341,184
Total direct costs	0	1,087,185	2,271,512	2,555,150	2,904,241	3,024,422	3,141,650	3,264,490
Profit after cost of sales	18,750	(363,436)	105,040	1,259,589	2,021,060	2,556,145	2,800,740	2,981,094
Level crossing improvements	154,000	154,000	0	0	0	0	0	0
Rolling stock leasing charges	0	427,224	679,785	695,038	710,329	725,956	743,379	761,220
Headquarters costs	242,155	939,576	863,291	892,956	918,867	940,168	964,575	999,059
Equitable performance bonus	0	0	12,116	24,515	25,408	27,511	28,372	29,134
Total overheads	396,155	1,520,800	1,555,192	1,612,509	1,654,604	1,693,635	1,736,326	1,789,413
Interest on debt	5,943	54,145	183,791	251,415	261,244	234,987	207,130	171,076
Interest on share capital	164,923	208,774	241,523	281,848	301,022	305,727	312,953	310,822
Tax	0	0	0	0	0	0	0	0
Depreciation	0	24,643	198,859	187,240	163,835	143,356	125,436	109,757
Costs of fundraising	133,000	156	18,069	15,029	0	0	0	0
Total financial expenses	303,866	287,718	642,243	735,532	726,101	684,070	645,520	591,655
Total operating costs	700,021	1,808,518	2,197,434	2,348,040	2,380,705	2,377,704	2,381,845	2,381,068
Operating profit	(681,271)	(2,171,954)	(2,092,395)	(1,088,452)	(359,645)	178,441	418,895	600,026
Share capital issued	2,064,923	216,909	1,154,098	321,058	350,124			
Debt finance drawn down	150,000	2,250,000	950,000	850,000	0	359,734	368,612	367,448
Add back depreciation		24,643	198,859	187,240	163,835	0	0	0
Advance sales and supplier credit	68,637	459,445	60,186	114,196	353,189	143,356	125,436	109,757
Total capital inflows	2,283,561	2,950,997	2,363,143	1,472,494	867,148	422,149	480,991	453,002
Level crossing capex	525,000	551,375	105,905	0	0	925,239	975,039	930,207
Other capex	100,347	241,653	0	0	0	0	0	0
Share withdrawals	102,916	34,630	34,630	34,630	251,462	244,098	377,356	398,841
Debt repayments	5,774	12,257	13,268	216,083	432,589	458,846	649,202	728,756
Creditors	175,375	473,435	34,090	22,417	20,094	408,009	422,149	436,464
Total capital outflows	909,412	1,313,350	187,893	273,130	704,145	1,110,953	1,448,708	1,564,062
Net cash flow	692,878	(534,308)	82,856	110,912	(196,641)	(7,273)	(54,774)	(33,829)
Cash balance	727,878	193,570	276,426	387,338	190,696	183,423	128,649	94,820

Cash Flow (Base case)

	2033	2034	2035	2036	2037	2038	2039	2040
Total ticket revenue	5,779,063	6,079,330	6,395,198	6,727,477	7,077,021	7,451,926	7,922,506	8,189,866
Other sales	780,534	816,969	855,125	895,085	936,934	981,231	1,008,600	1,027,643
Investment income	5,370	7,328	9,823	15,038	27,070	37,133	72,895	131,383
Total revenue	6,564,967	6,903,627	7,260,146	7,637,600	8,041,025	8,470,290	9,004,001	9,348,891
Fuel	825,175	850,964	877,630	907,694	933,713	963,193	927,006	921,622
Train crew	697,009	722,450	748,819	778,265	804,481	828,615	861,760	869,773
Control and insurance	535,484	558,632	582,820	608,099	634,519	657,981	678,868	127,978
Cleaning and servicing	352,088	364,939	378,259	393,034	406,376	418,567	435,310	439,321
Track access	105,285	109,128	113,111	117,563	121,519	125,165	130,171	131,408
Station access	508,774	527,344	546,592	566,543	587,222	604,839	629,032	660,044
Other cost of sales	357,824	375,283	393,601	412,823	432,991	454,461	473,646	485,507
Total direct costs	3,381,639	3,508,740	3,640,834	3,784,020	3,920,821	4,052,820	4,135,793	3,635,653
Profit after cost of sales	3,183,328	3,394,887	3,619,311	3,853,580	4,120,204	4,417,469	4,868,208	5,713,238
Level crossing improvements	0	0	0	0	0	0	0	0
Rolling stock leasing charges	779,489	798,197	817,354	836,970	857,057	877,627	898,666	881,758
Headquarters costs	1,025,215	1,052,759	1,078,963	1,107,308	1,137,634	1,150,375	1,189,348	1,173,982
Equitable performance bonus	29,882	30,686	31,438	32,247	33,078	33,972	33,992	34,871
Total overheads	1,834,586	1,881,642	1,927,754	1,976,525	2,027,770	2,061,974	2,122,006	2,090,611
Interest on debt	131,221	89,453	46,164	8,630	0	0	0	0
Interest on share capital	307,005	295,796	277,369	244,867	173,355	62,739	4,919	0
Tax	0	0	0	0	0	33,970	441,906	451,255
Depreciation	96,037	84,032	73,528	64,337	56,295	49,258	43,101	36,159
Costs of fundraising	0	0	0	0	0	0	0	0
Total financial expenses	534,263	469,282	397,061	317,834	229,650	145,967	489,926	487,415
Total operating costs	2,368,849	2,350,923	2,324,815	2,294,359	2,257,420	2,207,941	2,611,932	2,578,026
Operating profit	814,479	1,043,963	1,294,496	1,559,220	1,862,784	2,209,528	2,256,277	3,135,212
Share capital issued	364,614	354,405	336,996	305,529	235,071	125,527	68,797	0
Debt finance drawn down	0	0	0	0	0	0	0	0
Add back depreciation	96,037	84,032	73,528	64,337	56,295	49,258	43,101	36,159
Advance sales and supplier credit	512,084	483,946	544,471	517,949	579,367	550,534	607,986	514,456
Total capital inflows	972,736	922,384	954,996	887,816	870,733	725,319	719,884	550,615
Level crossing capex	0	0	0	0	0	0	0	0
Other capex	0	0	0	0	0	0	0	0
Share withdrawals	496,495	612,734	796,333	1,323,523	1,815,469	971,953	89,435	0
Debt repayments	760,112	787,045	642,235	143,833	0	0	0	0
Creditors	452,229	466,771	482,373	498,344	515,547	532,396	547,274	560,143
Total capital outflows	1,708,836	1,866,550	1,920,941	1,965,699	2,331,016	1,504,350	636,709	560,143
Net cash flow	78,378	99,797	328,551	481,337	402,501	1,430,497	2,339,452	3,125,684
Cash balance	173,198	272,995	601,546	1,082,882	1,485,384	2,915,881	5,255,333	8,381,017

Forecast Profit and Loss and Balance Sheet (Base case)

Profit / loss by year	2024	2025	2026	2027	2028	2029	2030	2031	2032
Turnover	0	0	723,750	2,376,551	3,811,739	4,912,618	5,572,801	5,934,805	6,239,368
Other income	862	18,750	0	0	3,000	12,230	7,558	7,488	6,170
Total income	862	18,750	723,750	2,376,551	3,814,739	4,924,848	5,580,359	5,942,293	6,245,538
Cost of Sales	0	0	1,087,185	2,271,512	2,555,150	2,904,241	3,024,422	3,141,650	3,264,490
Gross Profit	862	18,750	(363,436)	105,040	1,259,589	2,020,607	2,555,937	2,800,643	2,981,049
Other costs	3,381	529,155	1,520,956	1,573,261	1,627,538	1,654,604	1,693,635	1,736,326	1,789,413
EBITDA	(2,519)	(510,405)	(1,884,392)	(1,468,221)	(367,949)	366,003	862,303	1,064,317	1,191,636
Interest on debt	0	5,943	54,145	183,791	230,944	221,016	192,345	161,930	123,164
Share interest	45,197	173,662	218,042	251,080	291,716	311,396	317,746	326,223	325,220
Depreciation / amortisation	0	0	125	177,406	168,469	147,410	128,984	112,861	98,753
Tax	0	0	0	0	0	0	0	0	0
Net profit	(47,716)	(690,010)	(2,156,704)	(2,080,498)	(1,059,077)	(313,819)	223,228	463,303	644,499
Balance sheet at end of year									
Intangible assets	217,475	217,475	217,475	217,475	217,475	217,475	217,475	217,475	217,475
Fixed assets	1,000	626,347	1,419,250	1,347,749	1,179,280	1,031,870	902,886	790,025	691,272
Cash	35,000	726,765	186,794	263,987	369,236	182,324	168,401	92,542	27,447
Debtors	133	0	430	0	0	0	0	0	0
Other current assets	1	0	0	0	0	0	11,161	34,327	66,552
Total current assets	35,134	726,765	187,224	263,987	369,236	182,324	179,562	126,868	93,998
Total assets	253,609	1,570,587	1,823,949	1,829,211	1,765,991	1,431,669	1,299,924	1,134,369	1,002,745
Creditors	5,928	68,637	0	2,323	0	387,915	402,055	416,370	432,135
Other current liabilities	36,294	0	55,077	78,420	172,522	117,702	117,702	162,228	163,002
Total current liabilities	42,222	68,637	55,077	80,743	172,522	505,617	519,757	578,599	595,137
Directors loans	130,466	0	0	0	0	0	0	0	0
Main loan	0	0	2,250,000	2,550,000	2,977,807	2,520,077	2,034,883	1,520,577	975,412
Other long term liabilities	0	144,226	131,969	768,701	954,340	939,253	922,960	742,863	511,358
Total liabilities	172,688	212,863	2,437,046	3,399,444	4,104,669	3,964,947	3,477,599	2,842,039	2,081,908
Total Net Assets	80,921	1,357,724	(613,097)	(1,570,233)	(2,338,678)	(2,533,278)	(2,177,676)	(1,707,670)	(1,079,162)
Subscribed share capital	745,780	2,712,595	2,898,478	4,021,840	4,312,472	4,431,691	4,564,065	4,570,767	4,554,776
Accumulated Profit and Loss	(664,860)	(1,354,870)	(3,511,574)	(5,592,072)	(6,651,149)	(6,964,968)	(6,764,062)	(6,347,089)	(5,767,040)
Other Reserves	0	0	0	0	0	0	22,323	68,653	133,103
Total Equity	80,921	1,357,725	(613,096)	(1,570,232)	(2,338,677)	(2,533,277)	(2,177,675)	(1,707,669)	(1,079,161)

Forecast Profit and Loss and Balance Sheet (Base case)

Profit / loss by year	2033	2034	2035	2036	2037	2038	2039	2040
Turnover	6,559,597	6,896,299	7,250,323	7,622,562	8,013,955	8,433,157	8,931,106	9,217,509
Other income	5,348	7,320	12,238	23,310	32,603	39,685	92,750	152,258
Total income	6,564,945	6,903,619	7,262,561	7,645,872	8,046,558	8,472,842	9,023,856	9,369,766
Cost of Sales	3,381,639	3,508,740	3,640,834	3,784,020	3,920,821	4,052,820	4,135,793	3,635,653
Gross Profit	3,183,306	3,394,879	3,621,726	3,861,852	4,125,737	4,420,022	4,888,063	5,734,113
Other costs	1,834,586	1,881,642	1,927,754	1,976,525	2,027,770	2,061,974	2,122,006	2,090,611
EBITDA	1,348,720	1,513,238	1,693,972	1,885,327	2,097,967	2,358,048	2,766,057	3,643,502
Interest on debt	80,433	35,619	2,000	0	0	0	0	0
Share interest	322,514	312,422	286,759	226,301	134,068	11,455	4,005	0
Depreciation / amortisation	86,409	75,608	66,157	57,887	50,651	44,320	38,780	32,534
Tax	0	0	0	0	0	114,782	437,498	457,155
Net profit	859,363	1,089,589	1,339,056	1,601,138	1,913,247	2,187,491	2,285,774	3,153,813
Balance sheet at end of year								
Intangible assets	217,475	217,475	217,475	217,475	217,475	217,475	217,475	217,475
Fixed assets	604,863	529,255	463,098	405,211	354,560	310,240	271,460	238,926
Cash	63,299	205,575	701,521	993,121	1,180,764	3,193,983	5,460,027	8,442,997
Debtors	0	0	0	0	0	0	0	0
Other current assets	109,520	163,999	230,952	311,009	406,671	516,046	630,334	788,025
Total current assets	172,818	369,574	932,473	1,304,130	1,587,435	3,710,028	6,090,362	9,231,022
Total assets	995,157	1,116,305	1,613,046	1,926,816	2,159,470	4,237,743	6,579,297	9,687,422
Creditors	446,677	462,279	478,250	495,453	512,302	527,180	540,049	492,132
Other current liabilities	208,315	209,889	256,017	258,419	305,390	308,649	356,492	358,723
Total current liabilities	654,992	672,168	734,267	753,872	817,692	835,829	896,541	850,854
Directors loans	0	0	0	0	0	0	0	1
Main loan	397,538	0	0	0	0	0	0	0
Other long term liabilities	278,333	50,000	0	0	0	0	0	0
Total liabilities	1,330,864	722,168	734,267	753,872	817,692	835,829	896,541	850,855
Total Net Assets	(335,707)	394,137	878,779	1,172,944	1,341,778	3,401,914	5,682,756	8,836,567
Subscribed share capital	4,438,868	4,079,123	3,224,710	1,917,736	173,322	45,968	41,035	41,035
Accumulated Profit and Loss	(4,993,613)	(4,012,983)	(2,807,833)	(1,366,809)	355,114	2,323,856	4,381,053	7,219,484
Other Reserves	219,039	327,998	461,904	622,018	813,342	1,032,092	1,260,669	1,576,050
Total Equity	(335,706)	394,138	878,780	1,172,945	1,341,779	3,401,915	5,682,757	8,836,569

Go-op Co-operative Limited
Registered as a Co-operative Society with the Financial Conduct Authority
Reg No IP030678R

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