

The challenge facing the Swanage Railway.

A personal view from the Chairman of the Trust.

The heart of our problem.

We have grown over the past decades achieving much, but the suddenness and devastating impact on our business of coronavirus has highlighted, as never before, the need for us to look closely at the way we run our charitable and business activities.

We have enjoyed a long period of steady growth, weathering yearly fluctuations and taking on significant commitments all in a desire to re-establish the whole line. Our business model worked, and although it takes considerable management, it was successful, but coronavirus has hit precisely and quickly at the weakest spot in our trading year causing a significant crisis.

Why?

In general terms the Company has in recent years achieved a turnover of £3M and has costs not far behind that, making in good years a modest profit. Indeed last year were it not for the significant contribution made by the Flying Scotsman we would have made a loss, and had to curtail vital investment infrastructure and locomotives. Across a trading year our income fluctuates but with 2/3rds of income taken in the peak summer months, the critical nature of having a good summer is evident. The Company's costs though are in the main are spread over the whole year, resulting in cash flow shortfall in the winter months.

So to ensure in the lean winter, that the Company can pay its bills the Trust routinely lends a significant sum from its reserves to the Company. The loan - this year £450,000 - is repaid by the end of the summer with interest, from sales, recharging funds in the Trust for support the following winter.

Coronavirus hit in March and caused the complete suspension of activity and our income. The Company had used up the winter loan from the Trust and now - the double whammy - without operating, no longer has the means to either meet its normal costs and to pay back the loan. This in turn leaves the Trust without the means to provide its usual winter support later this year. If the restrictions had hit later in the year some income would have been generated and the situation feel different.

There is absolutely nothing we could have done about the timing of this, other than recognise that for people the impact of the virus is real and of great concern and that the priority must be to deal with that first and the Railway second.

What have we done?

The SRC responded very quickly with an initial plan of action to put the Railway on 'care & maintenance' (C&M) status when the first lockdown was announced in late March. Interim

arrangements for management were agreed and implemented, a plan to reduce outgoings was developed and the support offered by Government was taken up, leading to paid staff not required for C&M being furloughed at 80% of their salary, paid for by the Government.

Other arrangements were quickly agreed with key suppliers: locomotive owners have suspended hire charges; rates have been suspended; other expenditures reduced as far as possible leaving only - at the time of writing - the thorny issue of the rent abatement we have requested from Swanage Town Council and Dorset Council to be finalised. Our insurance premium remains a high monthly cost but there are grounds to think that this will be reduced later in the year when the shape of the business in winter becomes clearer.

As the Government defines its position we will ensure that we will always maximise the support they are offering against our business needs. Bringing staff back from furlough or placing staff on furlough will be driven by our needs matched to the status that the Railway is operating in at any one point in time.

What are the immediate next steps?

We are having to plan against a moving background where information and plans to deal with coronavirus and lifting restrictions are fast moving and difficult to predict with reasonable certainty. However, the Trust and Company quickly agreed a framework for what we need to plan to do.

The aim is two fold; stabilise and secure the Railway's immediate future and secondly, plan for a more sustainable Railway in the future.

We established three pieces of connected work to do this:

- A financial plan to cover the next two years that will enable us to see the impact in financial terms of the plans that we prepare for the remainder of 2020 and into 2021 when we expect income streams to start to return;
- A future operating structure aiming to provide a sustainable structure and business; this will impact on decisions we need to take this year; and
- The plan from the SRT to support the SRC through the immediate stages.

I expect this work to complete by early June following which some key decisions will need to be made to ensure the Railways survival until operations can re-start.

The key areas to address coming out of this work are:

- On-going costs, especially when the Government's furlough support ends;

- The practicality, applying the Government's current requirements, of re-starting volunteer activity on parts of the Railway. This requires risk assessments, provision of PPE and management, it will not be 'open house';
- The viable operation of a limited public service this summer given the need to maintain social distancing at stations and on trains, having customers reassured enough to want to travel and volunteers able and willing to play their part safely. Our Regulator has issued guidance on the standards we must adhere to, to operate safely. A questionnaire will shortly be going to volunteers to ask their views on whether they are prepared to volunteer this summer, and what protections we need to put in place. Your response to this would help with our thinking and planning. We would like to run a service but it must be safe, useable and generate a profit;
- The postponement of the Wareham service at least until 2021 or even later; and
- Identifying the significant financial gap between our own financial resources, including those raised by the SaveOurService appeal, and having plans to raise the funds to fill the gap.

It is possible, unless we can overcome the logistical challenges, that this year we may not operate public trains, and remain in C&M status until Easter 2021. The restart in 2021 may also be compromised unless vaccines are available and confidence is restored. Recovery may be delayed, and it could be 2022 before our new operating structure can be completely put in place.

There is no doubt though that the choices and decisions to be made will be challenging, as the size of the gap between the costs needed to be met, even if we remain in C&M until next Easter and our existing funds is significant; but the basic fact remains and cannot be avoided, that we cannot afford to take our current cost base forward if we want to survive this crisis.

Our decisions are going to impact on people and our suppliers. I am determined though, as I know other Trustees and Directors are, to ensure that our approach is based on our needs, that we remain open minded and will work to explore ways to achieve our aims with the needs of people and suppliers in mind, and to find a mutually agreeable way to address this crisis.

Our planning will ensure that all options have been considered, and that we have a sound factual base on which to have those discussions and make those choices. What is encouraging is for it to be based on a plan to become leaner and more sustainable in the future enabling the Railway to recover its customers over whatever length of time it may take.

My priority is to ensure that the Railway survives and does so in a fitter form for the future. It is going to be a difficult experience but the Railway should, all being well, be better for it. It will be worth the effort.

20 May 2020

I wouldn't - having direct experience of the grievous impact of coronavirus on my family - have wished for this, no one would, but in my more optimistic moments - which I still have - I can see this as an opportunity to take for us to pause, and re-start and recover in a better way for the future and that is a comforting thought.

If you have any points or questions you want to discuss please get in touch (gavin.johns@swanagerailway.co.uk).

We will keep in touch in this way as our plans are developed, so that you can see what they are. We will also report on their delivery and progress.

Best wishes to you and your family in these challenging times,

A handwritten signature in black ink that reads "Gavin Johns". The signature is written in a cursive style with a long horizontal stroke extending from the end of the name.

Chairman ,
Swanage Railway Trust

Our appeal is at SaveOurService.co.uk