

Future of the PEEMS Railway

1 Purpose and Scope

The purpose of this document is to assist the Pickering Experimental Engineering and Model Society (PEEMS) Committee and membership in determining the future of its deployable miniature Railway.

The difficulties PEEMS has in deploying and operating the Railway are described and the ongoing costs of ownership analysed.

Options are identified and recommendations for the future are presented for the PEEMS Committee and wider membership to consider and thence decide what action to take with the Railway.

2 Structure of the Document

A brief history of the Railway is presented in section 3 with a detailed analysis of the current issues in section 4. Conclusions, Options and Recommendations are presented in Section 5. A recommended way ahead is presented in Section 6 with Referenced documents detailed in Section 6. Acknowledgements are made in Section 7.

3 Description and Historical Context

The deployable PEEMS railway comprises a 7 ¼ “ gauge petrol-hydraulic driven locomotive, with two passenger carriages capable of conveying up to 8 more or less child sized passengers on up to 80m of straight track. Ancillaries such as lineside fencing and dummy signals are also included.

For storage and transportation, the Railway (which, henceforth shall be taken to mean the locomotive, rolling stock, ancillaries and transport trailers, covers and the like) is housed on two trailers. When not deployed the Railway is stored at Standfield Hall Farm, Pickering.

The Railway was instigated about 2002 by the then PEEMS Chairman, supported by a dozen or so members who built it between 2002 and 2004.

The purpose of the railway, other than to give satisfaction to its constructors and operators, was to carry fare paying younger passengers, be a revenue raising tool and generally raise the profile of the newly formed PEEMS, . Several deployments a year were undertaken at, for example, district, county and village shows. Profits (excess of Railway revenue over expenditure) of £500+ per year were realised.

In the first instance the track was constructed by the members and ran with loaned steam locomotives. Steam, whilst popular with the customers, proved problematic in terms of reliable use at events and presented a heavy maintenance burden between deployments. To overcome this a battery/hydraulic locomotive was constructed by several members which, in turn was superseded by the petrol/hydraulic locomotive that is currently fielded.

However, over subsequent years, the initial enthusiasm dwindled as many of the railway-oriented members left PEEMS or otherwise became unable to actively participate in deployments.

4 Lack of Able-Bodied Manpower Leads to Loss of Revenue

The PEEMS Railway requires an absolute minimum of four [Ref 1], and ideally at least six, persons to safely set-up, operate over the day and tear down. The relatively heavy physical nature of the set-up and tear down tasks involved require that these persons are able bodied. Not only that but at least two vehicles (with drivers) capable of towing the two trailers are required.

Moreover, safe operation requires these persons to possess the capability and stamina to diligently perform their duties for several hours. Limited shift length and regular breaks are required.

Unfortunately, within PEEMS, primarily due to the ageing profile of its members, it has become increasingly difficult to muster enough willing, able bodied, volunteers to deploy the Railway. At least one deployment took place between 2014 and 2016 with only two PEEMS members at the tear down who, exasperated by lack of support, are reported to have considered driving the Railway to the local tip for disposal in landfill. The current situation is simply that it is virtually impossible to gather six able bodied members for a deployment. The only recent exceptions to this have been the PEEMS participation at the Ryedale show and the yearly summer event at Welburn Hall School.

The Welburn Hall School event has customarily been provided, at no cost to the school, for the exclusive use of the school as part of a wider PEEMS activity for the children at this special needs establishment.

For 2018 and 2019 the sole revenue raising deployment was the Ryedale Show. In each of these years the Railway produced *just* enough funds to pay for itself. In 2019, whilst the revenue raising event (Ryedale Show) made some money, the Welburn School event was cancelled due to inclement weather. Further, following staff changes at the school, enthusiasm for hosting PEEMS was noted to be diminished.

Due to the Covid-19 Pandemic and associated restrictions there have been no deployments at all in 2020.

The current situation is that, faced with no revenue, and the difficulty in staffing revenue generating deployments, the Railway is soon likely to require subsidising by the general society funds.

An analysis of the cost of ownership is presented in the following sub-sections.

4.1 Railway Ownership Costs

The costs associated with ownership of the Railway derive from, in decreasing order:

1. Insurance
2. Storage
3. Maintenance
4. Operating consumables (Petrol, Oil etc.)

Each of these is considered in turn.

4.1.1 Insurance

Insurance of the Railway is closely interwoven with the other insurances the society holds and not wholly straightforward to unravel. No apology is made therefore for presenting a detailed examination of PEEMS Insurance to aid understanding of this topic.

Firstly, there is the cover of the Railway hardware itself against damage and theft.

This comprises:

1. Portable Track, insured value £3,000
2. Locomotive, insured value £5,000
3. Rolling Stock, insured value £8,500

4. 2 x Road Trailers, total insured value £10,000

Total insured value of the Railway £26,500

The 2020/21 insurance premium rate for the above is £10.17 per £1000 giving a premium of **£269.51** directly attributable to the Railway.

Secondly there is Public Liability cover. PEEMS currently hold £3M Public Liability cover, £2.5M being the lowest limit usually required by show venues and events.

For up to 12 deployments of the Railway per year (the minimum possible) the 2020/21 premium for Public Liability cover is £508.83. Without any Railway the Public Liability cover is £374.44.

The difference between the two giving a Railway dependant premium of **£134.39**.

Thirdly Directors and Officers (D&O) Indemnity. Currently PEEMS has £1M D&O cover at a premium of £371.08 per annum. Additional to Public Liability cover, this covers the individual Officers in the event that a claim were made against them on a personal basis rather than the Society as a whole. It is unclear what circumstances might arise, in the context of a society such as PEEMS, where this is necessary. Nevertheless, without the Railway, and the potential for claims consequent on mishaps therewith, it would be difficult to justify this cover for a simple society whose activities were primarily social gatherings, the workshop and visits. It is therefore asserted that the costs associated with this cover are at least, in part, attributable to the Railway. Were, speculatively, D&O cover reduced to £500k then the 2020/21 premium would be £247.43. The £1M cover thus may be said to cost the Railway *at least* the difference i.e. **£123.65**. If PEEMS took no D&O cover the full saving would be £371.08.

Summing the Railway attributable insurance premiums above gives the true net Railway insurance costs of some **£527.55** at 2020/21 rates.

For completeness it should be noted that PEEMS also has insurance cover for:

1. Money Cover, 1 Unit (£1000) - annual premium **£19.94**
2. Boiler Testers Indemnity, £1M cover - annual premium **£98.22**
3. Other equipment, e.g. used in the meeting room. £4000 cover at a premium of £40.68

None of the above can be deemed to be attributable to the Railway although an argument could be made that at least part of the Money Cover is for cash collected at Railway deployments. That said, the premium is low enough not to be of significant influence in the context of a discussion of the future of the Railway.

All of PEEMS insurance is currently provided by Walker Midgley under the Northern Association of Model Engineers (NAME) Club and Society Insurance Scheme [Refs 2 and 3].

4.1.2 Storage

Between deployments the Railway, along with the Doncaster Show display shelving, is stored at Standfield Hall Farm.

PEEMS pays the owner, Mr. M Sellers, £100 per year which he donates to a charity of his choosing. It should be noted that the charge would still be incurred for the storage of the display shelves whether or not the Railway was stored with them.

4.1.3 Maintenance

Maintenance is normally carried out annually on the locomotive and carriages by PEEMS members. No significant costs have been incurred in recent years, the most recent being a replacement petrol filter at a few pounds.

Nevertheless, it was observed there are some apparent defects on the locomotive that do require some attention in particular the operation of the hooked brake lever whose position is, let us say, uncertain to determine. It is therefore likely that some expenditure is expected in the foreseeable future to bring the Locomotive up to scratch.

Also, the track sections need inspection and likely remediation – particularly those sections at the base of the storage areas on the trailer as they have not been removed for several years due to recent deployments not employing the full length of track. From observations at the last deployment, the track sections will require repainting in the future and some wooden battens that join track sections may need replacing.

In summary, whilst recent expenditure on maintenance has not been significant that cannot be expected to remain the case in the future.

4.1.4 Operating Consumables

Petrol and oil are the primary consumables. Historically these are of modest cost and, in general, have generously been covered by members without seeking recompense from society funds.

5 Conclusions and Recommendations

Options, conclusions and recommendations, based on the analysis presented in section 4, are offered in the following sub-sections.

5.1 Keep or Retire?

The first, and indeed key decision, is whether PEEMS should keep the Railway in running order and deploy occasionally as it can (in other words preserve the status quo) or whether the Railway should be formally retired from service.

One, superficially attractive, intermediate option might be to operate the Railway in conjunction with a third-party organisation. This is considered, and disregarded, for the reasons outlined in the following sub-section.

5.1.1 Joint Deployments are Not Recommended

Considering the possibility of deploying the Railway in conjunction with another organisation, the Young Farmers, Scouts, Another Railway society for example.

A number of issues become apparent amongst which, by no means exhaustive, are:

- Why would they do it?
The third-party organisation may provide able bodied labour but why? At one deployment in 2017 the Young Farmers kindly helped out – in return for a “beer ration”. This ad-hoc sort of arrangement cannot be depended upon and a formal arrangement would be required – with the recognition that the organisation would have to have some incentive for so doing. Likely to include a share of the takings.
- Split responsibilities.
Who would be responsible for maintenance - and repair in the event of damage to the Railway equipment? Logically that would be PEEMS members due to their experience and expertise. However, it would give rise to a situation where the third-party organisation would be disincentivised to take care of the Railway as there will always be ‘someone else to fix it’.

- Insurance liabilities.
All operators of the Railway need to be PEEMS members for insurance purposes. A mechanism currently exists where temporary membership for insurance purposes is enabled. If done on a frequent basis this would present an administrative burden on PEEMS and opens the possibility for inadvertently having someone drive the locomotive whilst not a temporary member and thus invalidating the insurance. The consequences in the event of an accident could be financially catastrophic to the society.

In short the financial, insurance and technical risks associated with a joint venture are considered too problematic and it is strongly recommended that joint deployments are not pursued.

5.2 Recommendation to Retire the Railway

The inescapable conclusion is that cost is not the prime reason for considering retirement of the Railway but a consequence of the inability to deploy at sufficient frequency to generate sufficient revenue to cover costs. Put simply and perhaps harshly, the ageing membership have the spirit, but not the strength in numbers and stamina, to undertake multiple deployments per year.

Nevertheless, it is the cost of continued ownership that gives rise to the situation where the Railway associated overheads becomes a burden on the society.

Therefore, with regret, it is recommended that the PEEMS Railway be retired. In the event the Railway is retained as is it will be necessary to increasingly subsidise ownership from already high subscriptions.

5.3 Put the Railway into Preserved Storage

The following Preserved Storage policy is recommended to be implemented as soon as possible should the society formally decide to retire the Railway.

1. To cease operating the railway with immediate effect.
2. To remove the railway, in all respects, from PEEMS insurance.
3. To temporarily retain the railway at its present location pending disposal.
4. To remove battery, fuel, oils and the like from the locomotive and trailer to reduce, if not eliminate any self-ignition fire risk at the storage location.
5. To perform any required maintenance and undertake such work required to preserve the Railway for deep, long term, storage.
6. To instigate storage inspections at, for example, yearly intervals.

This policy places the Railway in (almost) no cost 'Preserved Storage', a state of suspended animation as it were, that allows time to give careful consideration of the Railway's ultimate fate which might include return to service. It should be understood that if the Railway were stolen or damaged during Preserved Storage no insurance cover would apply and any loss would be fully borne by the society. A one off cost to implement Preserved Storage should be anticipated.

The time bought by Preserved Storage should be used for active consideration of the next step. This would be either Return to Service or Disposal.

Return to Service could only be envisaged if PEEMS membership changes such that the age profile of PEEMS reduces. Whilst this possibility is considered remote the probability is

non-zero so the option is not disregarded. If after, say, two years of Preserved Storage there is no indication that Return to Service is likely it is strongly recommended that disposal action be commenced. Continuing Preserved Storage indefinitely simply allows a PEEMS asset to deteriorate with no advantage.

If, during the Preserved Storage period, it becomes commercially advantageous to sell the Railway this shall be recommended to the membership.

5.4 Disposal Option

Should disposal be determined as the required course of action the most intractable problem is how?

5.4.1 A Delicate Subject

It is recognised that the Railway was constructed as a labour of love by many members some of whom have passed away, many resigned and no longer members, and others who are now in ill health. This makes disposal an emotive subject which will have to be handled with some sensitivity.

One issue that needs to be confronted is where members who contributed components claim them back if the Railway is disposed of. In short it is claimed the component(s) were a 'gift with reservation'.

The formal position has to be that, to be a valid claim, the reservation had to have been stated (either orally or in writing) *at the time of donation* of said component(s). Retrospective claims would be difficult to justify. That said, should a member who donated a component wish it returned to them, PEEMS Committee and members are nevertheless at liberty to agree to vote to do so.

5.5 Disposal Options Identified

Options for ultimate disposal identified are:

1. Sell the Railway as a going concern,
2. Break up and sell/scrap the Railway as separate items,
3. Donate the Railway to an organisation that undertakes to maintain and operate it.

The above are explored and discussed in detail in the following sub-sections.

5.5.1 Sell As Going Concern.

This solution has the merit of realising funds that may be reused to accomplish, in a way, better suited to the present PEEMS membership, some of the objectives the Railway attained. Of course, it depends what realisable value the Railway can attain. The Railway, in its entirety, is insured for £26,500. This should be considered the very highest value that might be obtained.

Selling in one transaction has the advantage that disposal effort by PEEMS Officers and members would be minimised. Sale could, in the first instance, be by advertising in the model press and word of mouth. Consideration could also be given to sale by auction – with a good reserve. One possibility would be to approach Mathewsons, at Thornton-le- Dale, to see if they would handle it – possibly in the frame of their next 'Bangers for Cash' recording. This would have the effect of generating publicity for PEEMS and maybe inspire potential new members.

5.5.2 Break Up and Sell/Scrap the Railway as Separate Items.

This would entail selling off the various elements and components as separates. It could be imagined, for example, that the locomotive and carriages would be of interest to an organisation that already possesses a suitable track.

Adoption of this option would most likely be a consequence of either a) not finding a willing buyer for the Railway as a whole or b) the Members accepting that a donor of component to the railway getting their bit back thus rendering the Railway incomplete and inoperable as a whole. This option has the disadvantage of presenting the maximum disposal effort by PEEMS Officers and members as repeated and prolonged trips to Stanfield Hall Farm would be required. Moreover, once those items deemed desirable have been disposed of, it is quite possible the remaining less attractive kit would ultimately have to be passed to the local Rag and Bone merchant – or worse delivered to landfill – probably at a charge to the society!

5.5.3 Donate to Other ME Society or Charity

Donation to another Model Engineering society or charity is hinted at in clause 14 of the PEEMS Articles of Association [Ref 4]. If PEEMS were to be fully wound up it is, in fact, mandated. Donation can be thought of as like selling, but without receiving any money in return. It is suggested that this is a solution of last resort that could be adopted just to get rid of the problem. Nevertheless it provides a means where the Railway lives on, albeit not under PEEMS management. This may be an attractive thought to members who contributed to its construction and would balk at its destruction.

5.6 Recommendation to Sell As Going Concern

As it is the simplest option to implement, and most likely to bring an advantage (financial) to the society, it is recommended that, when deemed appropriate, the Railway be advertised as 'For Sale' as a going concern. The asking, and any lower reserve, price would need to be established by the Committee at that time. Should there be no sale in the first 12 months - or other period as defined by the Committee, sale by public (and publicised) auction should be investigated. Were it necessary to deliver the Railway to a buyer or auction site then the appropriate insurance may need to be temporarily reinstated.

If the Railway fails to sell in a reasonable timeframe it is recommended the Committee consider either a) donating the railway to an organisation capable of running it or b) sell off piecemeal. This is a decision best considered, and taken, at that time.

6 Recommended Way Ahead

It is proposed that recommendations presented at sections 5.2, 5.3 and 5.6 are put into effect by the following actions:

- a) The PEEMS Committee consider the options and recommendations presented in this report and decide if the recommendation to retire the Railway and place in Preserved Storage should be put to the general membership.
- b) If a decision to retire the Railway is passed by the Committee an Extraordinary General Meeting (EGM) be called at which the Committee's recommendation is presented to the PEEMS membership and the membership be requested to vote thereon. It should be noted that according to Article of The Articles of Association [Ref 4], the vote may require at least 60% of the membership to take part.
- c) If the membership agrees to the retirement of the Railway a working party be established to put into place the Preserved Storage protocols.
- d) After not more than two years from the date of an EGM at which the membership vote to Retire the Railway, the PEEMS Committee shall formally decide whether to recommend:
 - a. Return to Service or,
 - b. Disposal of the Railway.
- e) In the event the Committee recommends that Disposal is appropriate, an EGM shall be called at which the Committee's recommendation is presented to the PEEMS

membership and the membership be requested to vote thereon. Alternatively the motion may be included in the agenda of an Annual General Meeting (AGM).

- f) If a vote to Dispose is passed by the membership the Committee shall, in the first instance, initiate steps to Sell the Railway as a going concern.
- g) If, during, Preserved Storage, it becomes commercially advantageous to sell the Railway, the PEEMS Committee may recommend this to members and an EGM convened as outlined in e) above.

7 References

- 1) Set Up and tear Down Procedures
- 2) The Northern Association of Model Engineers Club and Society Insurance Scheme 2020/21 Rates of Premium.
- 3) The Northern Association of Model Engineers Club and Society Insurance Scheme Schedule of Cover dated 11 May 2020.
- 4) PEEMS Articles of Association, November 2012.

8 Acknowledgements

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