

BATTLE RIVER RAILWAY NEW GENERATION CO-OPERATIVE



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CONVERSION TYPE

- For-profit to co-operative conversion: Corporate-owned railway line to a producer new generation co-operative

SECTOR

- Transportation and Storage

SUPPORTED BY

- Experienced co-op lawyer and co-op developer
- Alberta Financial Services Corporation (AFSC) (a Crown corporation)

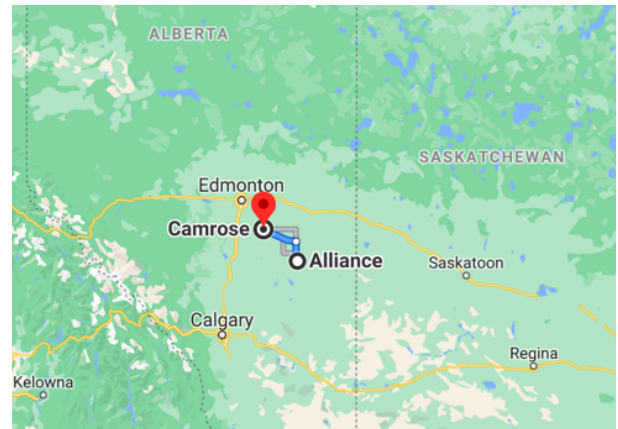
COMMUNITY IMPACTS AND BENEFITS

- Strong experience in organizing and mobilizing in local farming communities

Timeline of Conversion

- Line 43.03 was a 90 km short line that became operational in 1918 and since the 1970s the line was primarily hauling grain from the towns between Alliance & Camrose.
- In 2003 CN Railway decided to discontinue the line.
- In response, the farming community living along the line mobilized and set up the Battle River Producer Car Group (BRPCG), a non-profit that was formed in 2003 by 185 local farmers. A clause in the Canada Grain Act allowed the non-profit producer group to force CN Railway to continue servicing line 43.03.

- CN Railway finally decided to discontinue the line in 2008. In response, and with an eye to eventually buying out the short line, in May 2009 members of BRPCG, with the help of a local co-op developer and lawyer, organized to convert into Battle River Railway New Generation Co-operative (BRR NGC).
- By June 18, 2010, BRR NGC raised the funds to purchase line 43.03, becoming one of Canada's only co-operatively owned short line railways.



The Battle River Railway short line from Alliance to Camrose, Alberta.

Key Lessons From Conversion

Community Driven:

- The BRR NGC conversion was initiated and driven by the coordinated efforts of the communities along short-line 43.03, together with the assistance initially of a local co-op developer, Ken Eshpeter, and a group of members of the previous Battle River Producer Car Group non-profit. Overall, the idea was initiated, driven, and funded primarily by the people living in the towns along the line.

Knowledge as a Key Enabler:

- The community's knowledge about co-operatives in general and their ability to generate community participation and, in particular, their ability to unlock local capital via innovative multiple share-based financing facilitated by the new generation co-op model (NGC) were key determinants of the decision to convert to a co-operative. Once the decision to convert was taken, lawyer Brian Kaliel's legal knowledge and his knowledge about the NGC model enabled the successful conversion. Often the case in Canada where local co-op experts provide key leadership and advice for conversions, Kaliel's knowledge about various financing options helped create a viable funding-financing mix for the conversion effort.

Unlocking Local Capital:

- Of the \$4.85 million that it cost to buy out the rail line, \$3.15 million was raised through the sale of shares and delivery rights to local community members. This meant that the conversion was mainly financed by the community, via four types of share offerings, and they retained financial control of the direction of the conversion

and the development of the converted co-operative. BRR NGC also relied on another \$2 million borrowed from Alberta's Agriculture Financial Services Corporation as patient capital, and a \$45,000 grant from Alberta's Rural Community Adaptation program.

Much More than Business:

- In the process of converting to BRR NGC and buying out the short line, the converted co-operative was able to preserve the social fabric of the region. The loss of the rail line would have begun a gradual erosion of the profitability of farm operations in the area, which ultimately would have led to the death of the small towns along the line. This phenomenon of small-town, rural Canada shuttering has been recorded all over the Prairies over the past five decades, but in this case, the communities along line 43.03 came together to preserve a vital aspect of their livelihoods and a way of life and, in doing so, saved their towns and villages.



The Battle River Railway Train Excursions
source: battleriverrailway.ca

Key Challenges and Responses

CHALLENGE

RESPONSE

Expensive Purchase:

The BRR NGC conversion involved the purchase of a rail line, locomotives and related infrastructure. This was not cheap, especially for a farming community.

The community responded by unlocking their local capital. The choice of the new generation co-operative model helped. The conversion and the expensive purchase of the line was funded through sale of shares and delivery rights.

Intention-Capacity Gap:

The desire to convert to a co-operative and buy out an asset needed by the community was strong, but the knowledge of how to do it was missing.

This intention-capacity gap was bridged when the conversion team brought Brian Kaliel on board. Brian was a lawyer working actively in the area of conversions to co-operatives and his knowledge about the new generation co-operative model filled in the knowledge gap.

Conversion was Only the Beginning:

The BRR NGC conversion was driven by people passionate about and committed to their rural livelihoods and way of life, but who did not know how to run a railway.

The post-conversion management of the railway required the acquisition of operational and managerial knowledge to run it. The members of the BRR NGC overcame this knowledge deficit in two ways. The first was to develop their knowledge by visiting similar co-operative operations locally and in Saskatchewan. The second strategy was to acquire knowledge in the form of people. Former CN Railway employees and people with managerial knowledge were hired. This knowledge acquisition allowed the eventual operationalization of the rail line.



source: battlerriverailway.ca