

Summer 2008

Rathbone Greenbank Sustainable transport – the way forward

In this report we look at the topic of sustainable transport, and some of the options that are available to us both as users and investors.

Rathbone Greenbank Investments has long been an active investor in companies offering an alternative to private car ownership. On 14 May 2008 we invited three organisations to speak to our investors on the theme of sustainable transport, with the seminar appropriately held at STEAM, the Museum of the Great Western Railway in Swindon. The focus was on personal travel with speakers from National Express (an international public transport group), City Car Club (the fast expanding commercial car share company), and Sustrans (the UK's leading sustainable transport charity).

James Finlayson, chief executive officer of City Car Club, gave a broad overview of the company, noting how car clubs tend to reduce overall car use, thereby offering economic as well as environmental benefits to its members.

Helen Pilbin, the climate change project manager of National Express, outlined the role that the company sees for itself and its peers in reducing CO₂ emissions and congestion through encouraging the growth of public transport. However, she also noted the barrier posed by the current culture of private car ownership.

Peter Lipman, director of the Liveable Neighbourhoods and Low Carbon Travel programmes at Sustrans, spoke passionately about the need to transform both the transport system and the culture in which it is embedded, reducing the need for private car ownership.

Over the course of the day our speakers re-emphasised the need for our use and development of transport systems to change for social, environmental and economic reasons. Importantly they also highlighted the potential health, safety and economic benefits of leaving one's car at home, making the choice a positive one. Rathbone Greenbank Investments will continue to seek investment opportunities for our clients in the transport space.

John David
Investment Director



Within this issue:

2 Sustrans

Matt Crossman

3 City Car Club

Corinne Bathgate

5 National Express

Kate Elliot

6 Announcements

7 Forthcoming events

Rathbone Greenbank Investments is the specialist ethical investment unit of Rathbone Investment Management Limited. It provides personalised and professional investment services for those who wish to ensure that their investments take account of their environmental, social and ethical concerns.

Tel 0117 930 3000

www.rathbonegreenbank.com

RATHBONES

Established 1742



Sustrans

Peter Lipman is director of the Liveable Neighbourhoods and Low Carbon Travel programmes at UK sustainable transport charity Sustrans, creators of the National Cycle Network and a wide variety of other programmes including DIY Streets, Safe Routes to Schools, TravelSmart, Active Travel and Art in the Travelling Landscape. Peter is a member of the Communities and Local Government Eco-town expert reference group and sits on the national planning and policy groups of Stop Climate Chaos, as a Sustrans representative.

As an organisation, Sustrans was founded in the late 1970s to develop practical and imaginative solutions to the transport challenges affecting society. This is further

to the founders' vision of a world in which people choose to travel in ways which benefit their health and the environment.

In the UK this work involves transforming both the transport system and the culture in which it is embedded, with the specific aim of reducing its environmental impacts and effects on resource depletion. As part of this work, the group believes that people should have access to essential local services without the need for a private car and that local streets and public places should become spaces to enjoy as opposed to solely being transport connections. Sustrans advocates a focus on access as opposed to mobility. This differs from most government thinking, which is too focused on increasing general mobility, assuming that all its impacts will be beneficial.

Sustrans aims to develop pilot projects to demonstrate to policy makers and society at large that different transport options are feasible and practical. One such project is 'Connect2', a plan to revitalise walking and cycling in 79 UK communities by creating new routes for essential daily journeys. The project is part funded by a one off £50m donation from the National Lottery and has received £90m in additional matched funding from local councils.

From Sustrans' perspective, one of the key problems facing the UK is that transport is around 98% dependent on oil. The cost of oil has hit record levels, and some analysts are beginning to talk about \$200 a barrel oil prices. When one considers how many of these increasingly expensive fuels the UK will have to import, questions arise over their viability in the current mobility-focused model.

There are also questions over the link between economic development and accessibility to the road network. Some economists consider it unlikely that transport would be the main contributor to regenerating an area or region. Instead more focus should be placed on building local resilience with greater local production of goods and services.

Taking all of this into account, Sustrans believes the answers lie in a general change of behaviour with regard to transport. The continuing acceptance of the threat of climate change only serves to strengthen this claim.

Matt Crossman
Ethical Researcher



J BEWLEY/SUSTRANS



City Car Club

Car clubs are becoming increasingly popular in the UK as an alternative to car ownership. Increasing oil prices, climate change and congestion have combined to influence individuals and businesses to sign up to join car club schemes across the country. As part of our Sustainable Transport Investor Day we were pleased to welcome James Finlayson, chief executive of City Car Club, the UK's first pay-as-you-go car club (launched in 2000).



James gave an interesting overview of his own entrepreneurial background, having successfully set up his own horticultural services company that grew to a £4m turnover nationwide. He also spent two years with the organic home delivery food company, Abel & Cole, as a business consultant and was instrumental in the turnaround of this company which now has a turnover of £35m.

Initially, James became involved with City Car Club as a private investor before working part time as the commercial director. He became CEO in 2007. After James' appointment as CEO, the company embarked upon a process of restructuring, undertook a comprehensive review of the market for car clubs and developed a new business plan to take the company forward. While City Car Club has yet to make a profit, the re-branding of the company and further commercialisation in late 2007 will contribute towards the growth of the company.

Rathbone Greenbank Investments initially supported City Car Club in September 2006, investing in both ordinary shares and loan notes and then supported the interim financing in autumn 2007. At the end of March this year, City Car Club raised a further £3m by issuing new shares and converted its existing loan stock to shares. As a result, the balance sheet of the company is now showing a lot more strength. There are now a total of 33 individual investors in the company and turnover

reached £1.3m last year. The company has plans to continue its rapid growth across the UK.

City Car Club currently operates in nine towns and cities across the UK (London, Bath, Bristol, Portsmouth, Edinburgh, Brighton, Norwich, Birmingham and Camberley). Both individuals and businesses are eligible to become members and can book cars over the internet, by telephone or directly at the car. In order to use the car, the member just has to hold their membership card over the card reader on the windscreen to unlock the door, tap in their PIN number onto the computer in the dashboard and the keys are inside the car ready to go.

The cars can be booked by the hour or by the day and can be used by anyone aged 19 or over (there is no maximum age limit). Drivers are covered by fully comprehensive insurance (although 19 and 20 year olds also have to pay £10 per month to contribute towards the larger insurance premiums). All fuel is covered in the hourly rate and there is a fuel card in each car in case the member needs to refuel.

The cars are located in convenient, marked parking spaces near both businesses and homes.



James discussed how City Car Club members are attracted to join due to the location of the cars, the ease of the online booking system, the ability to save money from not owning a car and the environmental impact of reducing their own CO₂ emissions. The Rathbone Greenbank Investments team hired one of the Bristol City Car Club cars for the investor day for some of the team to travel to Swindon. We also used the car to

shuttle people to and from the railway station and found the system very efficient and easy to use!

City Car Club works closely with developers and town planners in order to try and build car club parking spaces into new residential developments across the UK, with residents often being given incentives such as free lifetime membership and discounts on hourly rates for the first year.

Business-to-business links are very important for the further development of City Car Club. Currently eight local authority districts use the company for their corporate travel needs. Employees are also given free membership to use the service for their personal needs, in order to encourage more people to use the cars. For both businesses and individuals, using the car club vehicle allows the individual to know the exact cost of each trip they are making.

City Car Club currently has 6,000 members, which is increasing significantly every month. There are currently 18 members per City Car Club car (25 members per car in Edinburgh) and the aim is to achieve 30 members per car. The fleet consists of 5-door hatchbacks and some larger family saloons. 20% are petrol electric hybrids.



In a recent report published by Carplus, the national charity promoting responsible car use, the carbon saving

people make from joining a car club is 0.7 tonnes CO₂ per year. This is partly attributable to a reduction in the use of cars although car club vehicles also tend to be newer, more efficient and well maintained. Membership of a car club also encourages people to use other forms of transport more often. This study also found that members:

- use cars for a third of the number of trips of non-members (23% journeys vs 65%);
- walk and cycle almost twice as much as non-members (45% journeys vs 26%); and
- use public transport three times more than non-members (32% journeys vs 9%).

City Car Club has undertaken some research amongst its members which examines the impact of car clubs. The following interesting trends were revealed:

- 47% of members of City Car Club have given up or deferred the purchase of a car as a result of their membership;
- 40% of members of City Car Club have increased their non-car travel; and
- 37% of members of City Car Club drive less than they did before they became a member.

James highlighted the fact that while the car club market in the UK is very small with approximately 30,000 users, it is growing very rapidly. He talked about how the Department for Transport expects the use of car clubs to increase ten fold in the next five years and James believes car clubs will become a more mainstream form of transport.

City Car Club aims to use the most recent funding from shareholders to increase growth to even higher rates in 2008 and beyond. This new finance will be used to double its fleet size in 2008, expand into two new cities and operate 1,000 cars by 2010. Operationally, the company will be further enhanced through recruiting a senior management team and strengthened systems. We are pleased to have supported City Car Club for nearly two years now and look forward to the exciting developments in the company over the coming years.

Corinne Bathgate
Assistant Ethical Investment Manager



National Express

Transport is a key factor in an individual's environmental impact, yet the choices we make in how to get from A to B are often subject to less thought than the number of plastic bags we use, or the temperature at which we do our washing. According to Defra statistics, in 2006 CO₂ emissions from transport contributed 24% to the UK's total, second only to those from energy generation. Transport was also one of only two sectors whose annual emissions increased from the previous year. It is therefore clear that if the UK is serious about reducing its carbon footprint, the environmental impact of the nation's transport requirements must be addressed.

We invited Helen Pilbin, the climate change project manager of National Express, to give us an overview of the role public transport companies can play in promoting sustainable transport. National Express operates public transport services in the UK, US and Spain. It provides a number of urban bus services, runs an integrated coach network to over 1,000 destinations in the UK and 500 in Europe. The group also operates several passenger rail services in the UK, including the London-Aberdeen East Coast Main Line franchise.



From the 1950s to the mid-1990s there was a rapid growth in overall transport demand, along with a decline in the more sustainable transport options of bus, cycle, and rail. Helen highlighted the fact that demand for transport will continue to grow, with National Express' road transport forecast predicting that by 2020 there will be 19% more traffic on the roads. Current transport policy is focused on improving car efficiency and measures to discourage the use of the highest emitting vehicles. Whilst these measures are important, National Express believes that real emissions reductions will only come from reducing the overall level of travel or encouraging people to use forms of transport with lower carbon emissions.

The table below, compiled from Defra statistics, compares the carbon intensity of different modes of transport. The environmental benefit of traveling by bus or train as opposed to driving is clear to see. National Express believes that as a company its greatest positive environmental impact will be achieved through encouraging the UK population to shift to more sustainable modes of transport.

Mode of transport	CO ₂ per passenger kilometre
Bus (carrying 20 passengers)	41.1g
London Underground	52.6g
National Rail	60.2g
Light rail and tram	65g
Petrol motorcycle	106.7g
Domestic flight	158g
Average diesel car (single occupancy)	198.7g
Average petrol car (single occupancy)	209.5g

One of the main problems facing National Express is the culture of car ownership and the perception amongst some groups of society that public transport is a second-rate mode of travel. In order to bring about a behavioural shift the company is working in partnership with government agencies, NGOs such as WWF and the Climate Trust, and other businesses to create a public transport network that is more appealing and, most importantly, meets the needs of society.

National Express is aiming to provide services that will attract demographics that previously would not have considered public transport as an option. As an example, Helen talked about the launch last summer of a dedicated commuter coach service linking London with surrounding areas. Not only is a fully occupied coach the least carbon intensive mode of transport, emitting on average less than 35g of CO₂ per passenger kilometre compared to 200g for a single occupancy car, National Express also estimates that a full coach can eliminate up to one mile of road congestion.

Helen also gave an update on measures that National Express is taking to reduce its internal environmental impact. Driver training programmes are helping to increase vehicle efficiency, and the company is introducing regenerative braking technology, which feeds electricity back into the supply system, across its train fleet. In addition, environmental audits of the group's bus depots have resulted in reductions in energy

consumption of up to 35% over a two year period.

However, most importantly, National Express is committed to playing a part in the creation of a simpler, more integrated and more convenient public transport network. By investing in National Express and other public transport companies, Rathbone Greenbank and our investors can play a part in this process, which we hope will ultimately lead to the sustainable transport choice being the natural one.

Kate Elliot
Ethical Researcher



Announcements

Rathbone Greenbank Investments extends its services to Liverpool

Rathbone Greenbank Investments has formally extended its services to Liverpool.

The new Liverpool team will be headed up by investment director Lorraine Dodd who has worked at Rathbones since 1993.

Lorraine can be contacted on 0151 243 7111 or at lorraine.dodd@rathbones.com

New Bristol office address

Rathbone Greenbank Investments, Bristol is moving to new offices on 20 July 2008:

10 Queen Square
Bristol
BS1 4NT

Email addresses, telephone and fax numbers will remain the same.

Forthcoming events

20 July 2008

Office Move

We are moving to new offices in Bristol in July. Please see further information on opposite page.

1 to 24 August 2008

Another Kind of Silence

Rathbone Greenbank Investments is pleased to support this theatre piece written in 2007 as a celebration of the centenary of Rachel Carson's birth and based on her influential book "Silent Spring".

The piece will feature at the Edinburgh Festival between the 1st - 24th August. For other UK dates please see www.rachelcarson.co.uk

6 and 7 September 2008

The Soil Association Organic Food Festival

Look out for our stall at the annual Soil Association Organic Food Festival in Bristol. The event is Europe's largest celebration of all things organic.

For further information, please go to www.soilassociation.org/festival or call 0117 314 5000.

28 September 2008

Resurgence Lunch

We are delighted to sponsor Resurgence magazine's annual lunch once again. The lunch with Satish Kumar, the editor of Resurgence, will be held at Bordeaux Quay, Bristol and is entitled 'Inspired by Nature'.

For further information, please contact biz-rjt@blueyonder.co.uk or call Rosalind Turner on 0117 377 9231.

11 October 2008

Schumacher Lectures

We are delighted to sponsor the annual Schumacher Lectures in Bristol once again at Bristol Council House. This year the lectures will be chaired by Jonathon Porritt. For further information, please go to www.schumacher.org.uk or call 0117 903 1081.

3 December 2008

The Funding Network

We are pleased to support The Funding Network as it hosts an evening at our offices at 159 New Bond Street, London. For further information, please go to www.thefundingnetwork.org.uk or call 020 7243 0667.

Rathbone Greenbank Investments Liverpool Seminar

Bluecoat Chambers, School Lane, L1

We shall be hosting a day of short lectures at the Bluecoat Chambers, on the subject of urban regeneration and renewal.

If you would like more information regarding this and other ethical events in Liverpool, please contact Lorraine Dodd on 0151 243 7111 or check our website for updates.

Rathbone Greenbank Investments

Rathbone Greenbank Investments provides personalised and professional investment services for those who wish to ensure that their investments take account of their environmental, social and ethical concerns.

For further information on the services that we provide, or to arrange a meeting, please contact one of the Rathbone Greenbank investment directors:

Elizabeth Haigh
Investment Director

John David
Investment Director

Nicola Day
Investment Director

Lorraine Dodd
Investment Director

Helen Gerrard
Investment Director

Mark Mansley
Investment Director

or visit our website at:
www.rathbonegreenbank.com

Offices

10 Queen Square

Bristol
BS1 4NT

Tel 0117 930 3000
Fax 0117 929 1939
greenbank@rathbones.com

Port of Liverpool Building
Pier Head

Liverpool
L3 1NW

Tel 0151 243 7111
greenbankliverpool@rathbones.com

For Private Circulation Only

This document is published by Rathbone Investment Management as a service and does not constitute a solicitation, nor a personal recommendation for the purchase or sale of any investment; investments or investment services referred to may not be suitable for all investors. Therefore we recommend you consult your Account Executive before taking any action. Rathbone Investment Management will not, by virtue of distribution of this document, be responsible to any other person for providing the protections afforded to customers or for advising on any investment. The information and opinions expressed herein are considered valid at publication, but are subject to change without notice and their accuracy and completeness cannot be guaranteed. No responsibility can be accepted for errors of fact or opinion or for forecasts or estimates. Past performance is not necessarily indicative of future performance and the price or value of investments, and the income derived from them, can go down as well as up and an investor may get back less than the amount invested. Changes in the rates of exchange may have an adverse effect on the value, price or income of or from an investment denominated in a foreign currency. Investors should bear in mind the higher risk nature of smaller companies, that the markets in their securities may be restricted and may be less regulated than the main markets. As a result, having bought the securities, it may be difficult to sell them, assess their value or the extent of the risks to which they are exposed. Rathbone Investment Management, and its Associated Companies, Directors, Representatives, Employees and clients may have positions in, be materially interested in or have provided advice or investment services in relation to the investments mentioned or related investments and may act on research before it is published. Neither Rathbone Investment Management nor any Associated Company, Director, Representative or Employee accepts any liability for any direct or consequential loss arising from the use of information contained in this document. The levels and basis of taxation may change with future legislation. Unless otherwise specified, any chart and statistics are compiled by Rathbone Investment Management.

No part of this document may be reproduced in any manner without prior permission. © 2008 Rathbone Investment Management Limited. All rights reserved. Rathbone Greenbank Investments is a trading name of Rathbone Investment Management Limited, which is authorised and regulated by the Financial Services Authority. Registered office: Port of Liverpool Building, Pier Head, Liverpool L3 1NW. Registered in England No. 1448919.