

Submission to the Tram Enquiry

On behalf of Hi-Fi Corner (Edinburgh) Ltd

Prepared by Dr Colin Mackenzie

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Executive Summary

Long established retailer Hi-Fi Corner suffered greatly during the tram-works reducing its net assets in excess of £300,000 with a substantial turnover and four members of staff that we directly attribute the tram works at the West End of Edinburgh.

Introduction

This paper will outline the business and personal impacts of the tram-works both on the business of Hi-Fi Corner (Edinburgh) Ltd and on its Managing Director, during the time of the works, Dr Colin Mackenzie.

Background to the business impacted by tram-works

Hi-Fi Corner (Edinburgh) Ltd is an established audio retailer. Registered in Scotland (Reg no: SC085622) it was formed in 1971 and bought the assets of an existing established retailer WG Graham's Hi-Fi Corner, and traded from the same premises at 1, Haddington Place, Leith Walk, Edinburgh, EH7 4AE. It is situated near the city centre's east end, near to Gayfield Square and opposite Elm Row.

At the time of the tram-works, Hi-Fi Corner (Edin) Ltd was trading from three premises; 1 Haddington Place and 121 Rose St, Edinburgh and 44 Cow Wynd, Falkirk.

Hi-Fi Corner's had been operating from 121 Rose St, Edinburgh since 1979.

Hi-Fi Corner has had a web presence since 1999 and also had a small, but growing web business, during the period of the tram-works.

Impact of the Tram-works

When the tram works appeared in Leith Walk, our business went down. It was difficult to park, do demonstrations and load and unload. We were offered help by TIE to load and unload as the loading bay had been moved; however when 'help' arrived they told us they could not move boxes because of 'health and safety' reasons. Couriers would not wait, with consequent loss of deliveries and uplifts.

During the time of the tramworks on Leith Walk we made a conscious effort to move our business to our branch at 121C Rose St, Edinburgh EH2 3DT (Property Ref. No. 906311231). However when the tram-works moved to the west-end our business there suffered a severe down-turn. Customers told us they could not get near us to park, and some customers 'found' our shop in Haddington Place, stating they would not go to Rose St because of the road-works. However more customers were lost than retained.

Despite the support of our landlords, Joint Properties Ltd, with a substantive rent reduction, we reluctantly had to surrender our lease. Our last trading day was 30th April 2011. We had been trading successfully from this store for over twenty years.

Additional Impacts

At a meeting in Pilrig Church between; TIE, Local Councilors, MPs and Leith Walk traders, our MD Colin Mackenzie, heard the following:

- An undertaker who had to carry coffins hundreds of yards due to ongoing delayed road-works,
- A new trader who had recently invested her life savings in a business and was now ruined due to lack of parking.
- A restaurateur who had made his delivery people redundant.
- Colin Mackenzie, suggested at that meeting that a professional loss adjuster be employed to evaluate the financial impact caused by the tram-works, a suggestion that was not followed up.

At another public meeting in Leith Walk, Colin Mackenzie asked Councillor Wheeler why the parking was being taken away from a wide part of the street at Haddington Place, to which he confessed, "I never looked at the plans in that level of detail". The argument put forward by the council was that the parking was just being moved into the side streets, however this is no good for businesses that need customer to uplift sizable boxes.

At meetings attended by Colin Mackenzie as a member of the Leith Walk Traders Association and TIE, TIE confessed that many of the delays in Constitution St were because of scores of 'bodies being uncovered'. This meant the police and the archeology authorities being called in and the work stalled.

At other meeting with TIE with the Leith Business Association, TIE suggested closing the whole of Leith Walk for months, showing no consideration for local businesses.

The additional impacts showed a lack of knowledge at the decision makers level and a lack for empathy for Small to Medium Businesses.

Rents at Haddington Place

The MD of Hi-Fi Corner had a substantial part of his pension invested in a flat at ■ Haddington Place, and in the store at 1, Haddington Place. By the second year of the tram-works, the business was now run by his son, Struan Mackenzie.

During the period of tram-works the rent for Haddington Place, had to be forgone and a reduction to tenants for the flat at ■ Haddington Place due to disturbance. The direct personal cost to Dr Colin Mackenzie was £40,000. This was to be his pension contribution.

Business Impact:

The accounts of Hi-Fi Corner (Edinburgh) Ltd had to be redefined by the Bank of Scotland who proved unhelpful and demanded property security on top of the personal guarantees already provided.

You will see from the figures in Appendix 1 a steady decline in net assets until the cessation of tram works when the business climbed again. We maintain this was not due to the recession (as was the excuse given to us by councilors, but by the interruption to business). Our individual store information shows a drop as works were started at each location and increased when works stopped.

We estimate our loss of retained profits that the business had kept over its long trading period during the tram works was in excess of £300,000. This is making allowances for a potential dip in business due to the recession. These figures can be verified by looking at the net worth highlighted figure in Appendix 1.

We also lost at least three employees and potentially more as we would have been in a position to recruit further people had business not been interrupted.

Personal Impact

For a small retailer the personal impact has been dramatic. Having to make people redundant, closing a store and seeing the additional family stress has been one of the worst times we have experienced. Dr Colin Mackenzie is no longer involved in the business and his son, Struan Mackenzie, now runs the business. Both family members suffered stress during this time.

Having made prudent cuts to our expenditure, invested in online technology our business has begun to flourish again, however we are fearful that the tram-works will impact on our business.

Conclusions from Colin Mackenzie on behalf of Hi-Fi Corner

- Poor planning: Having to halt as they progressed over a graveyard brought in extensive delays, these indicate poor archeological planning.
- Councillors not knowing the detail of the impacts on car parking- shows lack of capability of those involved to be making decisions of such magnitude that impact on business and lives.
- Insufficient consideration given to the costs of landlords and business, which should have been considered in the business case
- General incompetence- not real ownership or care shown by those involved in the decision making process.

Recommendations

We would like to see the following outcomes and recommendations from the tram-enquiry.

- 1/ Research commissioned to establish a figure of the economic impact on Leith Walk businesses (to provide the real costs of the previous tram-works, and future estimate should the tram line be extended. This would illustrate the micro-level impact on citizens)
- 2/ Research showing how much business was lost in Haymarket and analysis on whether these businesses returned or were replaced.
- 3/ A financial penalty (payable to those impacted) should further tram-works take longer than four weeks, the disruption which any reasonable business could perhaps withstand.
- 4/ Ideally, a more sensible, quieter, environmental solution suggested such as trolley busses for Leith Walk.
- 5/ Ideally abandonment of further tram extension in a major thoroughfare alternatively have it on a road where parking restrictions are less critical to businesses.

Appendix 1- Source Duedil

HI FI CORNER (EDINBURGH) LIMITED - Accounts CSV Download (31 Mar 1996 - 31 Mar 2014)

Date	31/03/08	31/03/09	31/03/10	31/03/11	31/03/12	31/03/13	31/03/14
Reporting Period (Months)	12	12	12	12	12	12	12
Currency	GBP	GBP	GBP	GBP	GBP	GBP	GBP
Consolidated Accounts	N	N	N	N	N	N	N
Number of Employees	0 - 50	0 - 50	0 - 50	0 - 50	0 - 50	0 - 50	0 - 50
Turnover							
Cost of Sales							
Gross Profit							
Operating Profit							
Pre-tax Profit							
Taxation (charges are negative)							
Post-tax Profit							
Dividends Payable							
Retained Profits							
Intangible Assets							
Tangible Assets	106,163	97,288	89,021	22,337	15,828	14,815	12,759
Fixed Assets	106,163	97,288	89,021	22,337	15,828	14,815	12,759
Stock	403,000	293,666	268,868	287,018	228,992	253,001	331,343
Trade Debtors	220,277	219,154	153,831	2,853	3,439	5,242	
Other Debtors							
Miscellaneous Current Assets							
Cash	27,169	28,479	1,458	1,043	47,421	106,908	151,519
Current Assets	650,446	541,299	424,157	290,914	279,852	365,151	482,862

Total Assets	756,609	638,587	513,178	313,251	295,680	379,966	495,621
Bank Loans & Overdrafts				15,541	16,699	17,901	
Trade Creditors	342,983	296,846	170,734	192,948	166,345	202,241	300,884
Miscellaneous Current Liabilities							
Other Short Term Finances							
Current Liabilities	342,983	296,846	170,734	208,489	183,044	220,142	300,884
Contingent Liability							
Other Long Term Finances	3,418						
Total Long Term Liabilities	3,418		56,400	40,859	24,160	6,259	
Total Liabilities	346,401	296,846	227,134	249,348	207,204	226,401	300,884
Net Assets	410,208	341,741	286,044	63,903	88,476	153,565	194,737
Equity Paid Up	13,675	13,675	13,675	13,675	13,675	13,675	13,675
Revaluation Reserve							
Sundry Reserves							
Profit & Loss Account Reserve	396,533	328,066	272,369	50,228	74,801	139,890	181,062
Shareholder Funds	410,208	341,741	286,044	63,903	88,476	153,565	194,737
Wages & Salaries							
Directors Emoluments							
Audit Fees							
Depreciation	13,578	9,232	8,028	8,980	6,357	4,966	5,126
Net Worth	410,208	341,741	286,044	63,903	88,476	153,565	194,737
Working Capital	307,463	244,453	253,423	82,425	96,808	145,009	181,978
Bank Overdraft & Long Term Loans	3,418		56,400	56,400	40,859	24,160	
Capital Employed	413,626	341,741	342,444	104,762	112,636	159,824	194,737
Net Cash Flow from Operations							
Net Cash Flow before Financing							

Net Cash Flow from Financing

Debtor Days

Export

Interest Payments

Name of Auditors

Joint Auditors (If Applicable)

Name of Solicitors

Name of Accountants

Audit Qualification

0

0

0

0

0

0

0

Exempt from
audit

Exempt from
audit

Exempt from
audit

Exempt from
audit

Exempt from
audit

Exempt from audit