12 Waterway use, charging and income

12.1. This chapter reviews the trends and developments in the use of BWB waterways and its principle sources of revenue, other than Government Grant. It describes the charges made and considers how BWB's income might be increased from the current range of services it offers and the possible extension of that range.

Trends and developments

12.2. In Chapter 6 of our 1987 report we noted a number of long-term trends towards change in the use of inland waterways. Although the canals were built in the late 18th and early 19th centuries for the purpose of carrying freight, we observed that `Two hundred years later on only 5.5 per cent of BWB's non-grant revenue is from freight tolls and dues'. Other trends at the time were the development of the canals into a major leisure resource, especially for boating and angling, and the growing free use by the public of the waterways, for example by walkers on towpaths. We commented that `The man-made waterways have also become an important part of the natural environment' and `In recent years a great deal of emphasis has been placed on developing the heritage attractions of the canals'. These trends still continue, although there are now some signs that the decline of waterway freight may be flattening out and we discuss these later in paragraphs 12.12 and 12.49.

12.3. Since 1987 three important changes, prompted by the recommendations of our previous report, have occurred which affect, either directly or indirectly, the way in which the waterways are used.

12.4. First, there was a reorganization within BWB (see paragraph 5.3). This placed responsibility for the development of waterway business and for the environmental and heritage aspects of BWB's inland waterway system firmly with the regions, with central technical, expert and back-up services and advice provided by Head Office. Regional policy towards canals influences and in turn is influenced by local conditions and requirements: the North East Region, for example, has to place much more emphasis on freight than do the other regions.

12.5. Second, in 1988 BWB decided to withdraw from direct freight handling (except for Sharpness Dock) and sold its wharves, warehouses and depots to a private concern. At the same time it closed down its Freight Division. These decisions were taken in the light of the reducing volume of freight being handled and because the business was on the whole land-based. The decisions also reflected the views at the time that the prospects for the recovery of the freight business were limited and that in any case direct freight handling was best left to the private sector. Today the marketing of BWB's freight facilities are handled by the Freight Development Manager, based at the North East regional office in Leeds. Sharpness Dock, however, is the responsibility of the Commercial Finance Manager located at headquarters. With the exception of the income from direct freight handled at Sharpness, BWB's revenue from freight consists of the tolls and harbour dues it charges to private carriers.

12.6. Third, in 1989/90 BWB adopted its IBS, which is described in Chapter 3. This was formally approved by the DoE and the Treasury in spring 1989. Under the IBS, we are told by BWB, the additional funds generated are invested in high-return projects to yield future revenue streams, reduce operating costs and improve waterway standards. The IBS, BWB says, recognizes the interdependencies between the various aspects of BWB's activities and the synergies between them. BWB asserts that the IBS has allowed it to adopt a more commercial approach to its business and since 1988/89 has helped it achieve a 25 per cent increase in real income from leisure and tourism and the generation of approximately £19 million of capital receipts from selective disposals of property assets over the last four years.

Current uses of the waterways

12.7. The inland waterways controlled by BWB are used for a variety of commercial and leisure activities and serve environmental and heritage purposes. Some services are charged for (eg commercial and leisure boating, angling) while others are not (eg walking on towpaths). The income BWB obtains from its chargeable services (set out in Table 12.6) is one measure of the uses made of its waterways.

Freight

12.8. In the past four years the annual volume of freight transported generally in Great Britain has been declining, reflecting the lower level of economic activity during the recession. The total volume of freight carried on BWB waterways, excluding duplicated traffic, also declined (by a tenth) over the period 1988/89 to 1992/93 (as set out in Table 12.1). Some of the reasons for this have been discussed in paragraph 12.5. In roughly the same period (1988 to 1992) the volumes of both rail and road freight traffic declined by about 17 per cent and 2 per cent respectively (according to the *Monthly Digest of Statistics*, June 1993). Both rail and BWB waterways are losing trade to road transportation.

12.9. Table 12.1 shows the total volume of freight carried on BWB's waterways in 1988/89 and 1992/93.[1] In the earlier year trade on BWB canals only (including Sharpness Dock) was almost 3.6 million tonnes which had declined to about 2.9 million (19 per cent) by 1992/93. The Aire & Calder Navigation was, and is, by far the most important of the commercial waterways, accounting for over 55 per cent of all the tonnage carried on the BWB system and some 70 per cent of the freight on BWB canals (including Sharpness) in both years (over 80 per cent in 1992/93). Almost all the canals experienced a reduction in freight, but in varying degrees: the declines ranged from 9 per cent for the Aire & Calder to almost 65 per cent for the Sheffield & South Yorkshire Navigation. The Caledonian Canal, however, showed an increase of 8.4 per cent.

TABLE 12.1 **Freight traffic by waterway, 1988/89 and 1992/93**

'000 tonnes

	1988/89	*1992/93*	*% change*
Aire & Calder	2,623.9	2,388.5	-9.0
River Ouse	0.0	511.1	*
South Yorkshire	168.6	60.0	-64.4
River Weaver	548.1	303.2	-44.7
River Trent	512.0	236.5	-53.8
River Soar	0.0	62.5	*
Gloucester & Sharpness†	718.6	384.5	-46.5
Limehouse Basin	0.0	34.3	*
Caledonian	53.8	58.3	+8.4
Crinan	13.6	2.2	-83.8
Total	4,638.8‡	4,041.1	-12.9
Less duplicated traffic	276.0	116.7	-57.7
Net total	4,362.8	3,924.4	-10.0

Source: BWB.

*Not calculable.
†Includes tonnage handled at Sharpness.
‡Includes 200 tonnes for River Severn.

12.10. The volume of freight on BWB's river navigations remained at much the same level in both years- somewhat over 1 million tonnes. Declines for the Rivers Weaver (44.7 per cent) and Trent (53.8 per cent), totalling some 520,000 tonnes, were offset by an increase of over 57,000 tonnes for BWB from the

[1]BWB now classifies its waterways as `multi-use', `leisure' and `not fully navigable'. These classes are virtually synonymous with `commercial', `cruising' and `remainder' which are the statutory definitions used in this report.

development of trade on the River Soar and the transfer along with its tonnage of the Yorkshire Ouse to the BWB in 1989.

12.11. Table 12.2 shows the composition of the freight carried on the BWB system in 1992/93, in total and by waterway. Coal and other fuels accounted for over half the total tonnage and virtually all of this was carried on the Aire & Calder Navigation. The other major trade was in aggregates which represented about 40 per cent of total freight carried. This trade was more evenly distributed among the waterways; nevertheless the rivers between them accounted for about two-thirds of total general aggregates carried. The Gloucester & Sharpness Canal had 384,500 tonnes or 23.6 per cent of the aggregates total. Bulk liquids, at 371,800 tonnes, accounted for about 9 per cent of freight carried on the BWB system in 1992/93, and most of that was transported on the Aire & Calder.

TABLE 12.2 **Freight volume by type of cargo and waterway, 1992/93**

'000 tonnes

	Coal, coke and fuel	*Bulk liquids*	*Aggregates and other*	*Total*
Aire & Calder	2,037.0	259.0	92.5	2,388.5
River Ouse	0.0	0.0	511.1	511.1
South Yorkshire	0.0	28.8	31.2	60.0
River Weaver	0.0	57.7	245.5	303.2
River Trent	0.0	24.2	212.3	236.5
River Soar	0.0	0.0	62.5	62.5
Gloucester & Sharpness*	0.0	0.0	384.5	384.5
Limehouse Basin	0.0	0.0	34.3	34.3
Caledonian	1.5	2.1	54.7	58.3
Crinan	0.0	0.0	2.2	2.2
Total	2,038.5	371.8	1,630.8	4,041.1
Less duplicated traffic	0.0	28.8	87.9	116.7
Net total	2,038.5	343.0	1,542.9	3,924.4

Source: BWB.

*Includes tonnage handled at Sharpness.

12.12. Fourteen companies currently carry freight on BWB waterways in the North East Region. Although the trade is still largely dependent on deliveries of coal to power stations and on heavy industry, there are signs that the decline is bottoming out. The waterways' principal trade (coal and other fuels) was just over 2 million tonnes in 1992/93 compared with 1.87 million in 1988/89, an increase of 9 per cent. This compares with a decline of 12.5 per cent in the volume of coal and coke transported by rail in Great Britain between 1988 and 1992 (*Monthly Digest of Statistics*). BWB is also launching new freight initiatives, targeted at the extractive, waste, steel, chemical and oil industries. In Scotland the principal commercial traffic on canals are fishing boats traversing the Caledonian Canal; and there is some freight handled by carriers at Corpach.

Leisure and tourism

12.13. BWB probably has less than a quarter of the total UK inland boating market with most of the remainder accounted for by the NRA and the Broads Authority. The canals also account for about a quarter each of the UK boating and hire boat holiday markets. However, those taking such holidays only account for about 10 per cent of visitors to the canals. BWB told us that canoeists using the canals represent about 28 per cent of all canoeists in the UK.

12.14. In 1992/93 BWB licensed and registered 27,708 craft, issued mooring permits for 4,273 boats and certificates for 198 houseboats. Table 12.3 sets out the detailed figures. Of the total licences and registrations, 23,737 (over 85 per cent) were licences, of which only 248 (less than 1 per cent) were for unpowered craft. There were 5,790 short-term licences, 20 per cent of the total licences, registrations and certificates issued.

TABLE 12.3 **BWB boat licences, registrations, certificates and mooring permits issued, 1992/93**

	Licensed	*Registered*	*Certificates*	*Total*
Private pleasure boats:				
Powered	15,937	3,676	-	19,613
Unpowered	248	104	-	352
Sub-total	16,185	3,780	-	19,965
Hire and other business boats	1,762	191	-	1,953
Short-term*	5,790	-	-	5,790
Houseboats	-	-	198	198
Grand total	23,737	3,971	198	27,906
Mooring permits				4,273

Source: BWB Report and Accounts, 1992/93.

*Not included are craft registered under special arrangements with the British Canoe Union, Scouts Association, Girl Guides Association etc, and those on the reservoirs. The short-term licences include waterway explorer licences.

12.15. About 60 per cent of all coarse anglers in the UK fish on the canals and BWB claims that it is the largest single owner of coarse fishing rights in Britain. It told us that it has agreements with 420 angling clubs and other organizations, the membership of which is difficult to estimate but could approach 300,000.

12.16. Informal recreation on the canalside is mainly walking and cycling. Walking is by far the most popular adult recreational activity in the UK. The Ramblers Association has around 800 affiliated clubs with about 77,000 members, and the Long Distance Walkers Association has some 59 affiliated clubs with around 15,500 members. Currently there is a national revival of interest in recreational cycling. UK sales of bicycles increased by 80 per cent in the five-year period ending in 1992 (according to the BWB internal paper), and further growth is predicted as increasing numbers of people participate in leisure activities perceived as being both healthy and `green'. According to a consultant's report to BWB some 17 per cent of all people in the UK going walking, cycling, on field studies and other open air outings in the UK do so, at least partly, on the canalside.

Charging

12.17. The main features of BWB's method of charging are described in this section. In general BWB seeks to charge what the market will bear, taking account of trends in the national economy, the charging policies of its competitors, where appropriate, and developments in the individual markets in which it is active (eg boating, mooring, freight). The charging system has not changed in its essentials since our 1987 report.

12.18. The following observations apply to BWB as a whole, except where it is indicated that a different approach applies in Scotland.

12.19. One of the objectives agreed between BWB and the DoE in 1984 was that charges should be kept under review, with the aim of maximizing revenue. BWB attempts to do this by charging what the market will bear. It does not relate its charges directly to the cost of providing the services. Although BWB produces detailed annual accounts, including profit and loss statements, these are not in a form which allows one to determine precisely the degree to which losses are incurred on each service and the extent of the cross-subsidization, if any, between services to be determined precisely. The specific uses to which the annual grant is put are also unclear. The costings system is dealt with in Chapter 4.

12.20. BWB's Marketing Department undertakes and commissions general studies of demand in those markets in which BWB operates. It purchases or monitors available material on general economic developments, trends in consumer disposable income, expenditure and tastes, and population changes. It also keeps abreast of what BWB's competitors are offering and charging. All this is essential to an effective pricing policy, particularly if that policy is based on charging what the market will bear. Being well informed helps BWB gauge its charges and, where appropriate, to enter into price negotiations from strength.

12.21. BWB, however, lacks knowledge of the responsiveness of demand to price changes for the services it provides. Demand elasticities measure the degree to which the demand for any service is expected to adjust to a change in its own price or the prices of competing services. The absence of information on the relationship between changes in fees and adjustments in demand was commented on our 1987 report and we recommended that it should be systematically studied. This has not happened. BWB reiterates what it told us before: that it would be difficult to ascertain the relative influence of licensing fees and mooring fees in relation to other costs of boating such as maintenance, insurance and credit and that it lacks a sufficiently long series of data, in suitable form, to enable the analysis to be done. BWB is considering the possibility of other types of analysis (such as revealed preference) which may prove useful.

12.22. BWB has water quality, dredging, navigation and environmental standards for its waterways (see Chapter 11). It has no customer-related standards or guidelines against which to assess the quality, or changes in quality, of the boating services it sells. Although the new mooring matrix (see paragraph 12.33) represents good progress in this direction. BWB's Marketing Department undertakes annual research into boat owners' views of BWB's performance for a range of its functions, such as upkeep of the waterways and condition of the towpaths, but these, although indicative, are not true assessments of quality or of how BWB is meeting its quality standards. The National Association of Boat Owners alleges that BWB frequently confuses `appearance' with `quality' and suggests that meaningful measures of quality change might include:

- the number of miles of waterways classed as `remainder' that are brought to full navigable status;

- the number of miles of shallow canal which are dredged to a required standard;

- improvements in response times to call-outs and emergencies; and

- declines in arrears of maintenance.

Charges for freight

12.23. There is no standard schedule of tolls for freight. Tolls are negotiated individually with the carriers operating on BWB waterways. They are based on freight tonnes per km, taking into account the value of the cargo, the route to be covered and what the market will bear. Discounts are offered on large volumes of business. Freight boats on most BWB cruising and remainder waterways are required to have a commercial vessel licence but this does not apply to freight-carrying boats which trade solely on commercial waterways. The licences are issued for periods of 12 months only, starting on the first day of any month. Currently the full annual fee for a 17.50 to 18.49 metre craft is £366.18 (or £329.56 on prompt payment). BWB attempts to maximize revenue by taking into account the charges made for alternative transport.

12.24. In Scotland the freight business is based at Corpach and, to a much lesser extent, at Ardrishaig. Goods are loaded and unloaded at the basins. BWB does not manage any of the freight business itself, but tolls are charged for the use of sea-locks and wharfage fees are negotiated. Fishing fleets based on the east coast of Scotland traverse the Caledonian Canal rather than take the extremely long route around the north of Scotland in order to gain access to west coast fishing grounds. The fleets are charged dues for the use of basins (eg at Corpach) and tolls for use of locks on the canals. The toll or locking charge is based on an ongoing agreement, adjusted annually by the RPI.

Leisure boat charges

12.25. All boat licence and registration fees are calculated according to length of boat and the period for which the authorization is issued. Commercial and multi-user vessels, however, can only have licences for a 12-month period and no less. In Scotland the licence fee includes mooring at BWB's own sites but there is a small premium for reserved berths. The fees are set nationally each year in England and Wales and in Scotland, and schedules of charges are published. In England and Wales discounts of 10 per cent are made for prompt payment (ie full payment on or before the date of commencement) for licence and certificate periods of more than one month.

12.26. A pleasure boat licence allows a privately-owned boat which is not used or offered for hire or reward on any of BWB's canals and river navigations in England and Wales. A river registration certificate allows a boat which is not used or offered for hire or reward on to any of BWB's river navigations but not on canals.

Both the private licences and the certificates are available for periods of twelve, six, three and one months and seven days. Table 12.4 gives examples of fees in 1993 for licences and registrations.

TABLE 12.4 **Fees for pleasure boat licences and river registration certificates for a 17.50 to 18.49 metre boat, 1993**

£

	12 months	*6 months*	*3 months*	*1 month*	*7 days*
Pleasure boat licence	340.68	289.68	204.00	76.50	38.50
River registration certificate	202.98	172.38	121.38	45.50	22.00

Source: BWB.

12.27. Houseboats have to have certificates and to get them those first registered after 31 December 1979 must have a valid certificate of compliance with British Waterway Standards. Houseboat certificates expire on 31 December and are issued for periods of one or three years. The cost of an annual certificate for a 17.50 to 18.49 metre houseboat is currently £633.42; the corresponding three-year certificate is three times the annual charge.

12.28. A multi-user pleasure boat licence is required for boats on BWB's waterways which are operated by organizations for the benefit of restricted groups of people such as time-sharing clubs, local authorities or charities. These allow the boat to be on any BWB waterway available for pleasure cruising in England and Wales. The craft must satisfy British Waterway Standards and a valid certificate of compliance is required before a licence is issued. These licences are available for 12-month periods only, starting on the first day of any month. Discounts are offered for prompt payment and a concessionary rate (also subject to discount) is available to boats operated, at little or no cost to the user, by registered charities for the benefit of disadvantaged or handicapped groups or by organizations funded by voluntary effort and providing educational benefits. Currently the full multi-user rate for a 17.50 to 18.49 metre boat is £902.70 compared with a full 12-month private pleasure boat licence of £340.68 for a boat of the same size. The corresponding concessionary multi-user rate is £358.02.

12.29. In England and Wales hire-boat licences and registration certificates are required for boats available for hire for use on BWB waterways. The licence allows the boat to ply on any BWB waterway available for pleasure cruising in England and Wales. Registration restricts the boat to BWB's river navigations only. The boat must satisfy the relevant British Waterways Boat Standards and have a valid certificate of compliance. BWB licences and certificates are issued for 12 months and also for eight-day visitor hire. A 10 per cent discount for prompt payment is available. The full 12-month licence fee for a 17.50 to 18.49 metre hire boat is currently £1,046.52, and £84.50 for the eight-day visitor hire. In Scotland hire cruising vessels pay £85 per metre for each boat.

12.30. In 1987 a `New Deal for Boaters' scheme was introduced after consultation with IWAAC and other organizations. The aim of the scheme was to effect a real increase of 15 per cent in licence fees over the subsequent three years, later extended to four years due to the high rates of inflation experienced in the intervening period. The New Boat Deal led to very substantial rises in licence fees following 1987. According to an internal BWB paper the charge on average for BWB's pleasure boat licence in 1993 is 40 per cent higher than that for NRA Thames Division and 13 per cent higher than for NRA Anglian Division (comparisons are based on the mean of 5, 10, 15 and 20 metre length by 2 metre beam boats).[1] The plan also notes that the number of boats transferring to other waterways or being lifted out of the water had increased by 42 per cent between 1990/91 and 1991/92. As a consequence licence tariff increases were held to 2 per cent (ie below the rate of inflation in 1992/93) and are expected to rise in line with inflation in 1993/94 and 1994/95.

[1]BWB told us that the position is reversed in respect of registration fees for rivers.

Mooring charges

12.31. Boats which are continuously afloat on BWB waterways in England and Wales must have a permanent mooring which is approved by BWB. Normally this will be a BWB or a privately-managed site, although approval for mooring at other locations may also be given by the Waterway Manager. In Scotland, as already stated, BWB makes no separate charge for mooring (other than for berth reservations).

12.32. BWB's mooring permits are issued for twelve-, nine-, six- and three-month periods and the charges, which vary regionally to some degree, are calculated on licence period, length of boat and class of mooring site. As with licensing fees, there is an approximate 10 per cent discount for prompt payment. Table 12.5 gives charges in the North East and South East Regions as examples. BWB's mooring sites offer a range of locations and services and are categorized into five different classes. BWB has told us that it intends to limit its own moorings to no more than 20 per cent of total moorings on the system.

TABLE 12.5 **Examples of BWB mooring charges, 1993**

*£ per metre length of boat**

North East Region†					*South East Region*				
Site class	*12 month*	*9 month*	*6 month*	*3 month*	*Site class*	*12 month*	*9 month*	*6 month*	*3 month*
1	33.46	29.07	19.38	9.69	20	34.68	30.19	20.09	10.10
2	40.80	35.50	23.66	11.83	19	38.76	33.71	22.49	11.27
3	45.39	39.47	26.32	13.16	17	43.86	38.15	25.45	12.75
4	51.20	44.57	29.73	14.84	15	48.96	42.59	28.41	14.23
5	53.65	46.67	31.11	15.56	13	53.04	46.16	30.75	15.40

Source: BWB.

*And per part metre.

†Charges are the same for North West and Midlands/South West Regions.

12.33. Charges for mooring are currently undergoing refinement. It is intended to introduce a schedule of charges (known as the `mooring matrix') which relates the mooring charge to the facilities offered at the site and to its general attractiveness, including its location. The highest charge will be made for sites in the most desirable locations and offering the best facilities, the lowest for those sites combining poor location and facilities, with a range of fees between for sites offering different combinations of attractiveness and facilities. BWB has consulted the major leisure boating organizations about the matrix and the initiative has been generally welcomed.

Angling agreements

12.34. BWB's angling income comes from licensing its fishing rights to angling clubs and other organizations. Currently BWB has 556 agreements with angling clubs, associations and other organizations. Of these, 420 agreements are with angling clubs which also own or rent other fishing for their members' use. The licences, which may be for three, five or seven years, are negotiated separately with each club or organization based on a standard angling agreement agreed at national level with the National Federation of Anglers and others. The clubs provide bailiffing at a local level. BWB said that it introduced this system in 1988 to replace one recommended by consultants which aimed at increasing income from angling by the direct management of its fisheries by BWB. That proved to be unworkable, largely because of the opposition of the angling clubs.

Water charges

12.35. BWB regions sell water to industry, to agriculture and to water companies for consumption or use and return. To do so they have to obtain water abstraction licences from the NRA which will only grant them if it considers that the request is reasonable and justified and that the volumes of water are available to meet the extra demand. BWB's Water Development (WD) Department, located at headquarters, makes formal application to the NRA for an abstraction licence for each proposed water sale on behalf of the BWB regions concerned. The NRA charges BWB for the abstraction licence. The application is made following publication by BWB of a Statutory Notice concerning the proposed sale so that objections can be raised. These procedures normally take about three months.

12.36. In recent years WD has negotiated water sales contracts with the purchasers on behalf of the BWB regions. Whilst WD staff are the specialists in this area, they cannot conclude a contract without the agreement of the region(s) concerned. Any internal disputes concerning the proposed contractual terms would in the first instance be referred to the Commercial Director, though we were told that in practice no such occasion has yet arisen. The cost of abstraction licences is passed on to the purchasers in addition to the BWB charge which WD negotiates in accordance with what the market will bear.

12.37. Many of the water sales contracts negotiated in the past have been for very long periods, generally to BWB's disadvantage as the charges originally agreed have become progressively out of line with general price levels, market demand and the cost of supplying the water. An example of this is the contract with Bristol Water plc which abstracted almost 43 million cubic metres of water from BWB waterways in 1992. The contract was first agreed in 1962 but in 1970, and again in 1981, BWB negotiated supplemental agreements with Bristol Water plc to adjust the terms of the original agreement to the changed market conditions. In addition, the 1981 supplemental agreement provides that every fifth anniversary from 1 April 1978 the changes may be reviewed in the light of any substantial charges in relevant circumstances. WD is currently seeking to negotiate or renegotiate review clauses for all BWB's water sales contracts. It aims to adjust the charges in accordance with an agreed index. In negotiating charges, however, WD has to take account of competition from town supplies and even the possibility of the prospective customer sinking a borehole.

Drainage

12.38. Although no charge can be made where land drains naturally into the waterways through or over the soil, the continual flow of water, often containing a high proportion of gravel and other abrasives, damages and erodes the canal walls. The flow also causes pollution when it contains chemical residues and other undesirable substances.

12.39. BWB charges for piped water discharges by landowners, businesses and local and other authorities. The volume of discharges is increasing with road building, housing and other developments. BWB uses a formula to relate the charges to the cost of the extra work imposed by the volume of discharge. Its land drainage and water discharge policies are currently under review.

Wayleaves

12.40. Wayleaves, of which there are more than 4,500 (see paragraph 8.7), may also be referred to as easements, licences and agreements, of which only an easement creates an interest in the land title. These documents are drawn to deal with situations where third parties wish to use BWB property for laying plant, equipment and apparatus such as gas, water and oil pipes; telecommunication cables, masts and pylons; public sewer drainage; electricity cables; and bridge crossings (including road- and footbridges and conveyors). Contracts may be with private individuals, companies and organizations or with statutory bodies (eg public utilities, local and other authorities).

12.41. Contracts are negotiated with the private sector when the private individual (almost invariably the adjoining landowner) or organization wishes to make use of BWB property. A current example is a proposal to employ a disused oil pipeline which runs along the Forth & Clyde Canal as a secure duct for fibre optic cables. BWB has recently acquired the pipeline from the Ministry of Defence and has contacted [*]

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*Details omitted. See note on page iv.

about the commercial potential. [*] has completed an initial feasibility study of the proposed route and BWB is investigating the planning and wayleaves issues. If it is decided to proceed, BWB would then lease the route to [*], probably with a revenue-sharing arrangement.

12.42. Negotiations with public bodies (such as the highway authorities, local authorities and, before privatization, the water, gas, electricity and telecommunications utilities) have taken place against the background of their statutory powers to demand the use of BWB property with compensation for damage only. The majority of the agreements are in force for many years. BWB acknowledges that it has never tried to push negotiations to the limit by refusing entry because, rightly or wrongly, it did not believe it would have Government support for trying to obtain the best commercial terms in these cases. The logic was that both parties to the contracts were public bodies and it could be argued that all that was involved was a shuffling of public funds between public bodies.

12.43. With privatization of the public utilities, however, the question of payment to BWB for use of its property takes on a new importance. BWB is examining this whole question and as a first step commissioned a legal audit to provide an accurate summary of the compulsory acquisition and associated powers that currently exist in favour of the now privatized utilities and other third parties which authorize the installation of apparatus in, on, under or over the Board's landholding, or which otherwise affect (eg by drainage or pollution) the Board's waterways. The audit also examined in detail BWB's existing statutory and non-statutory protections against its land and property being acquired together with, and most importantly from the revenue standpoint, the compensation framework and statutory rules. The audit has just been completed and concludes that the legislation which forms the basis of the compulsory power is imperfect and there is a range of significant protections available to BWB. Each case would have to be judged on its own merits.

Current income

12.44. BWB's main sources of income, other than from grant, in 1992/93, as set out in Table 12.6, were property and leisure. This is unchanged since 1987/88 (Table 12.6). At current values, income from investment property rents more than doubled and those from leisure as a whole (including leisure rents) increased by just over 77 per cent over the four-year period. Income from freight operations, tolls and water charges fell by almost £2.8 million (34 per cent) between 1987/88 and 1992/93 mainly because of the decline in the freight trade for the reasons discussed in paragraph 12.46.

TABLE 12.6 **BWB's income, other than from grants, by source, 1987/88 to 1992/93**

	1987/88				*1992/93*			
	£'000		*% share*		*£'000*		*% share*	
Tolls and ships' dues	1,061		5.1		1,057		3.4	
Freight operations	4,715		22.9		1,659		5.4	
Water charges	2,396		11.6		2,666		8.7	
Sub-total		8,172		39.6		5,382		17.5
Leisure craft	3,233		15.7		6,229		20.2	
Angling	242		1.2		576		1.9	
Leisure rents	881		4.3		1,323		4.3	
Passenger/hire craft	203		1.0		210		0.7	
Museums etc	262		1.3		212		0.7	
Sub-total		4,821		23.5		8,550		27.8
Wayleaves etc	1,637		7.9		2,129		6.9	
Other	187		0.9		1,817		5.9	
Total freight and water sales		1,824		8.8		3,946		12.8
Total turnover		14,817		71.9		17,878		58.0
Investment property rents		5,805		28.1		12,939		42.0
Grand total		20,622		100.0		30,817*		100.0

Source: BWB.

*This total does not include premiums on grants of easements, grants from local authority and ERDF, income from maintenance agreements and other items included in the total income figure for 1992/93 (£33,522,000) shown in Table 4.2.

12.45. Leisure comes second as an income earner for BWB, although it currently brings in only about two-thirds as much revenue as property. BWB provides a number of different services for which it charges. The most important are boat licensing (including registration, certification etc) and mooring fees which in 1992/93 earned a combined £6.2 million and accounted for 20 per cent of the total (£30.8 million) and almost 73 per cent of the leisure total. Leisure rents earned £1.3 million or 4.3 per cent of BWB's total non-grant income in 1992/93. Income from angling was low by comparison (£0.6 million) and only represents less than 2.0 per cent of BWB's business revenues.

12.46. Freight and water sales remain an important source of revenue for BWB despite the run-down of its direct freight activities (which nevertheless earned £1.6 million in 1992/93 from business at Sharpness Dock). Tolls and dues collected from commercial carriers totalled only £1 million. This reflects the long process of decline in the canals' commercial trade in the face of severe competition from rail and road transport. It is also the result of the recession and of the decline of heavy industry on which the waterways have particularly depended for commercial business. Sales of water are the most important of BWB's industrial sources of income, and in 1992/93 brought in £2.7 million, 8.7 per cent of the total (£30.8 million) non-grant revenue and almost half its income from freight operations, tolls and water charges.

Income potential from existing services

12.47. Turnover from the leisure uses of BWB's commercial waterways is expanding rapidly. In 1992/93 fees from pleasure craft licences and registrations totalled £887,000 and was 3 per cent higher than income from tolls and dues (£859,000) on commercial waterways whereas in 1987/88 they were 52 per cent lower.

12.48. In the absence of detailed information on the maximum carrying capacities of the waterways it is not possible to assess the potential for further expansion of both the leisure and freight uses of commercial waterways. Continued rapid expansion of leisure boating on the waterways, coupled with some expected recovery of the freight business, could result in a serious conflict of interest on the commercial waterways with important safety implications (see paragraphs 6.85 to 6.87).

12.49. We have already noted (paragraph 12.12) signs of a flattening out of the downward trend in freight traffic on the waterways and the initiatives BWB is taking to develop the trade. In its latest Corporate Plan (1993/94 to 1996/97) BWB is predicting that its total income from freight operations, tolls and water charges will increase by 44 per cent from £5 million in 1991/92 to £7.2 million in 1996/97 (at out-turn prices). This increase is expected to come from expanded sales of water and further development of direct freight operations. Income from tolls and dues is predicted to remain unchanged at about £1 million, although the projections do not include revenue from new initiatives (see paragraph 12.12).

12.50. There are considerable social costs generated by freight transport by road, such as atmospheric pollution, noise and congestion. These are likely to be increased with the introduction of the 40-tonne lorries permitted under EC legislation. These costs are not incurred to a significant degree by water transportation of heavy bulk loads.

12.51. Income from water sales is expected to keep pace with inflation for the duration of the current Corporate Plan and to reach £3.4 million (out-turn prices) by 1996/97, a rise of some 20 per cent compared with 1992/93. This implies no real growth: revenue is already high as recent drought years have kept water sales buoyant. A sales drive in 1992, accompanied by a direct mail marketing initiative, is expected to increase industrialists' awareness of BWB as a supplier of water.

12.52. Real income from leisure as a whole is predicted by BWB to increase by between 2 and 3 per cent a year in the mid-1990s. This is largely dependent on an assumed recovery from the current economic recession and additional revenue from mooring permits as a consequence of the recent court ruling in BWB's favour concerning offside mooring. The decision allows BWB to charge for off-line mooring on private land for approximately 3,000 boats (about 17 per cent of all moorings on the system). The charge is being set at about half the level of BWB's normal mooring fee and BWB expects it to help boost moorings income (at 1992/93 prices) from £1.3 million in 1992/93 to £1.6 million by 1996/97-a real increase of 23 per cent.

12.53. We have had complaints, however, that local Waterway Managers are empowered to set up moorings next to towpaths, in many cases opposite or close to a privately-run basin or marina for which BWB charges the operator a rent. BWB's charges are less than the private operators' because it offers no extra facilities of the kind it insists the private business provides as a condition of its lease from BWB. It is claimed that this is unfair practice (but see paragraphs 12.31 and 12.32).

12.54. Revenue from craft licences and registrations is expected to do no more than keep pace with inflation from 1993/94 onwards. BWB has little immediate scope to increase income from angling because most of the existing angling agreements do not come up for renegotiation until 1995/96. But angling has potential for increasing its income in the longer term. BWB estimates that 100,000 anglers regularly fish the waterways for which it owns the fishing rights. This implies a low average income per angler of about £5.75 in 1992/93. However, if we included all 300,000 or so anglers who may be permitted to fish on BWB waterways, the current average would be considerably lower.

12.55. Finally, leisure rents offer important additional possibilities for generating income. As a facilitator, BWB continues to encourage leisure businesses along its waterways. Many such businesses are paying rents linked to their turnover and BWB expects income from leisure rents as a whole to rise from £1.3 million in 1992/93 to £1.8 million in 1996/97 (at 1992/93 prices)-a real increase of 38.5 per cent. The projected increase reflects BWB's plans to encourage new off-line moorings around its network, particularly in the South East Region. Leisure rent is dealt with more extensively in Chapter 9.

Potential income from new activities

12.56. We have identified a number of ways in which BWB could increase its revenues from leisure. The first concerns the spread of good marketing practice and the adoption more widely throughout the organization of ideas and schemes that have proved successful in particular areas or regions. Any large organization, especially of national size and structured along regional lines, requires a very effective system for exchanging views and sharing ideas and practices. This should be in addition to the more formal management reporting system of formalized agendas and minuted meetings. We have seen no evidence that BWB has such a system. Whilst each region holds its own meetings with staff, and ideas and suggestions flow upwards from project officers and others to Waterway and then to Regional Managers, there are insufficient opportunities for BWB staff to share experiences with colleagues undertaking similar work in other regions.

12.57. We have already noted (see paragraph 12.13) that the waterways' shares of most of the leisure markets are small. There are many good developments of limited scale which could be undertaken, often in co-operation with local authorities. Activities such as scuba diving and water-skiing on reservoirs are eligible for consideration because BWB's reservoirs do not supply potable water. Other possible projects are the introduction of canoe trails and cycle ways. Opportunities for the promotion of angling on the reservoirs, however, are limited since in many cases BWB does not control the fishing and sporting rights. We requested information in respect of all BWB reservoirs but were told that no central database exists. This is particularly unfortunate since reservoirs represent the only large expanses of water controlled by BWB where true multi-use could be developed.

12.58. Schemes and projects to attract large numbers of visitors to the waterways, and to generate income from these visits, should be a growing source of future revenue for BWB. Because of the administrative and practical difficulties, it does not appear feasible for BWB to charge for informal recreation (eg walking on towpaths or cycling). BWB should be able to obtain revenue by indirect means from those engaging in informal recreation on its waterway system (eg rents from car parks operated privately on land leased from BWB and rents and percentage shares of turnover from businesses operating on land leased from BWB). It has already been suggested to BWB by the DoE that it should have a British Waterways Membership or Friends scheme with the objective of raising money for specific improvements and support for the waterways in general. BWB has commissioned a consultant to assess the possibilities.

Conclusions and recommendations

Leisure strategy

12.59. We conclude that there is considerable scope for BWB to expand its shares of the water-related leisure markets.

12.60. We recommend that BWB should:

(a) devise a more active and aggressive marketing strategy for water-related leisure activities for implementation from 1994 onward;

(b) ensure the spread of good marketing practice throughout the BWB system as a whole and the adoption, as appropriate, by all regions of marketing ideas or schemes that have proved successful in a single or a limited number of regions;

(c) prepare a central database for its reservoirs and devise a strategy for maximizing leisure activity income from them;

(d) identify income-sharing and income-generating schemes designed to increase returns from expenditure by visitors to waterways and waterway leisure sites;

(e) review the potential for joint development of car parks and caravan sites adjacent to the waterways and locks; and

(f) allocate responsibility for the development of BWB's leisure and tourism business to a single manager within the Commercial Department.

12.61. There is a lack of key information about the responsiveness of demand for leisure services to price change.

12.62. We recommend that BWB should:

(a) study systematically the responsiveness of demand to price changes for its services and estimate demand elasticities;

(b) by 1 March 1994 review its charging policy for leisure amenities and activities and prepare and introduce a pricing strategy;

(c) within the pricing strategy take account *inter alia* of quality changes; and

(d) carefully prepare the ground for any changes in charges, explain and announce the basis in advance, and handle their introduction sympathetically.

12.63. BWB lacks a means of tapping the considerable general goodwill for the canal system which both the paying and non-paying public have towards the waterways.

12.64. We recommend that BWB should consider acting on the findings of the consultants' report on the feasibility of a membership or `friends' scheme as soon as it becomes available in order to harness the public's enthusiasm for the waterway system to specific ends.

Boat licensing

12.65. BWB has unduly emphasized short-term gain at the expense of longer-term market development and revenue growth and boat licence fees have been out of line with the market. There is now, however, little scope for increasing revenues from fees for boat licensing (including registration).

12.66. We recommend that in setting boat licence fees BWB should put less emphasis on purely short-term gain at the expense of longer-term expansion.

Moorings

12.67. In certain cases (eg the supply of moorings and freight tolls) BWB is in a position to manipulate the market to its own advantage in `charging what the market will bear'. However, we conclude that the `mooring matrix' provides a sound and transparent basis from which to negotiate charges for mooring permits.

12.68. We recommend its introduction by 1 January 1994.

Angling

12.69. Angling charges, however measured, are well below their potential.

12.70. We recommend that in the review of charges recommended above BWB should give special attention to ways and means of significantly increasing the contribution of angling to total revenue.

Freight tolls

12.71. We conclude that the opportunity for increasing tolls on waterways remains limited, particularly as long as the present highly competitive market conditions remain unchanged. There are a number of possibilities, however, which BWB is exploring.

Wayleaves and easements

12.72. The opportunities for increasing wayleaves and easements are difficult to assess because the position regarding BWB's and the utilities' legal rights is unclear.

12.73. We recommend that BWB should review progress with the DoE at the end of 1994.

Environmental advantages

12.74. We recommend that BWB should, in conjunction with the DoE, consider how the environmental advantages of waterway transport might be valued, so that in appropriate cases the information may be taken into account in the consideration of planning applications for the exploitation of quarries and the like.