House of Commons
Environment, Food and Rural Affairs Committee

British Waterways

Seventh Report of Session 2006–07

Volume II
Oral and written evidence

Ordered by The House of Commons
to be printed 23 July 2007
Environment, Food and Rural Affairs Committee

The Environment, Food and Rural Affairs Committee is appointed by the House of Commons to examine the expenditure, administration, and policy of the Department for Environment, Food and Rural Affairs and its associated bodies.

Current membership

*Mr Michael Jack (Conservative, Fylde) (Chairman)
Mr Geoffrey Cox (Conservative, Torridge & West Devon)
*Mr David Drew (Labour, Stroud)
Mr James Gray (Conservative, North Wiltshire)
Patrick Hall (Labour, Bedford)
Lynne Jones (Labour, Birmingham, Selly Oak)
Daniel Kawczynski (Conservative, Shrewsbury & Atcham)
*David Lepper (Labour, Brighton Pavilion)
*Mrs Madeleine Moon (Labour, Bridgend)
Mr Jamie Reed (Labour, Copeland)
Mr Dan Rogerson (Liberal Democrat, North Cornwall)
*Sir Peter Soulsby (Labour, Leicester South)
*Mr Roger Williams (Liberal Democrat, Brecon & Radnorshire)

*These Members were nominated as Members of the Sub-Committee on British Waterways. Mr David Drew was Chairman of the Sub-Committee.

Powers

The Committee is one of the departmental select committees, the powers of which are set out in House of Commons Standing Orders, principally in SO No. 152. These are available on the Internet via www.parliament.uk.

Publications

The reports and evidence of the Committee are published by The Stationery Office by Order of the House. All publications of the Committee (including press notices) are on the Internet at

www.parliament.uk/efracom

Committee staff

The current staff of the Committee are Chris Stanton (Clerk), Nerys Welfoot (Second Clerk), Dr Antonia James (Committee Specialist), Marek Kubala (Inquiry Manager), Andy Boyd and John-Paul Flaherty (Committee Assistants) and Mandy Sullivan (Secretary).

Contacts

All correspondence should be addressed to the Clerk of the Environment, Food and Rural Affairs Committee, House of Commons, 7 Millbank, London SW1P 3JA. The telephone number for general enquiries is 020 7219 5774; the Committee’s e-mail address is: efracom@parliament.uk. Media inquiries should be addressed to Laura Kibby on 020 7219 0718.
## Witnesses

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Mr Bob Laxton MP, Chair, and Lynda Waltho MP, Treasurer, Parliamentary Waterways Group  
Barry Gardiner MP, Parliamentary Under-Secretary (Biodiversity, Landscape and Rural Affairs), Department for Environment, Food and Rural Affairs

Tuesday 8 May 2007

Mr Robin Evans, Chief Executive, Mr Tony Hales, Chairman, and Mr Jim Stirling, Technical Director, British Waterways

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Mrs Carolyn Finbow
Mr Graham Fisher MBE
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Friends of the National Waterways Museum at Stoke Bruerne
Grantham Canal Restoration Society Ltd
Mr Simon Greer
Harborough District Council
Councillor Genevieve M Hibbs
Dr David Hilling MBE
Historic Narrow Boat Owners Club
Mr C B Holmes
The Horseboating Society
Inland Waterways Amenity Advisory Council
Inland Waterways Association
Isleworth and Brentford Area Planning Committee, London Borough of Hounslow
Islington Society
Mr John Jackson
Mr Louis Jankel
Jericho Community Boatyard Ltd
Mr John Keyes
Kirklees Metropolitan Council
Lancaster Canal Trust
Leicestershire Branch, Inland Waterways Association
Lincolnshire County Council
Local Government Association
London Borough of Camden
London Borough of Tower Hamlets
Mr Nicholas MacWhirter
Dr John May
Milton Keynes Council
Montgomery Waterway Restoration Trust
Mr Nigel Moore
National Association of Boat Owners
National Farmers’ Union
Natural England
North Cheshire Cruising Club
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The following memoranda have been reported to the House, but to save printing costs they have not been printed and copies have been placed in the House of Commons Library, where they may be inspected by Members. Other copies are in the Parliamentary Archives, and are available to the public for inspection. Requests for inspection should be addressed to The Parliamentary Archives, Houses of Parliament, London SW1A 0PW (tel. 020 7219 3074). Opening hours are from 9.30 am to 5.00 pm on Mondays to Fridays.

Bill Butterworth: Memorandum (BW 32)
Del Brenner: Annexes (BW 76a)
British Waterways: Letter to stakeholders, 24 May 2007 (BW 11e)
British Waterways: Strategic Options Review, 1 May 2007
Department for Environment, Food and Rural Affairs – Annex E: Asset Condition Schedule based on grant funding scenario sent from BW Chief Executive to Defra on 19 Jan 2007 (BW 47b)
Councillor Genevieve M Hibbs: Background papers (BW 68)
Inland Waterways Advisory Council (IWAC): Supplementary memorandum (BW 028b)
Inland Waterways Advisory Council (IWAC): Background paper: Sheffield Hallam University Report: Initial Review of the Economic and Other Benefits of Inland Waterways
Nicholas MacWhirter: Annexes (BW 54)
Nicholas MacWhirter: Annex: Letter to Chairman of Sub-committee, 1 May 2007 (BW 54a)
Nigel Moore: Background paper (BW 63a)
National Association of Boat Owners: Background paper: What is the fuss about? (BW 14)
Oral evidence

Taken before the Environment, Food and Rural Affairs Committee
(British Waterways Sub-Committee)
on Monday 26 February 2007

Members present:
Mr David Drew, in the Chair
Mr Michael Jack Mrs Madeleine Moon
David Lepper Sir Peter Soulsby

Memorandum submitted by the Inland Waterways Association (BW 27)

BACKGROUND ON IWA

The Inland Waterways Association is a registered charity formed in 1946 by individuals who wished to turn our inland waterways from the abandoned ditches many had become into the widely used and much loved amenity that they are today. The Association, through its national membership and local waterway societies, campaigns to convince government, local authorities and the public of the need for canals and river navigations, and through its Waterway Recovery Group has helped restore hundreds of miles of waterways for use by boaters, walkers and anglers.

IWA has been active and often the driving force in waterway restoration the length and breadth of the country.

We have nearly 18,000 individual members, and 289 affiliated non-profit-making waterway organisations. More than 25,000 volunteer hours are annually donated through our Waterway Recovery Group.

Contact: Neil Edwards, Chief Executive, The Inland Waterways Association

EXECUTIVE SUMMARY

1. The sudden cuts to grant-in-aid for British Waterways in 2006 threaten to undermine investment in recent years. The seriousness of the crisis into which BW has been thrown should not be underestimated.
2. BW requires security of funding to enable best use of its resources.
3. Postponement of maintenance work creates additional expense later; simple repair jobs turn into major reconstruction.
4. Owing to inadequate funding, BW has been unable to comply with its statutory requirements to maintain the waterways to certain standards for many years. Government should not regard itself as “above the law”.
5. Waterway restoration, led by the voluntary sector for the past 40 years, has provided urban and rural regeneration on a massive scale. This works needs to be encouraged and nurtured.
6. Waterways classified as “remainder” under the 1968 Transport Act should be upgraded to avoid anomalies of management.
7. The historic landscape of the inland waterways is under threat from developers and commercial pressures on BW.
8. Freight carriage on the waterways is under-utilised and under-appreciated, but has great potential to address government’s carbon-reduction agenda.
9. A single major navigation authority could reduce management costs and government bureaucracy.

FUNDING

10. The first line of BW’s Annual Report 2005 states that by 2012 “we will have created an expanded, vibrant and largely self sufficient network used by twice as many people as in 2002”.

11. If the cuts to BW’s grant-in-aid continue, year on year, IWA contends that this aspiration will not be realised. Rather the system will go into decline, the investment of recent years will fail to reach its full potential and the work of countless volunteers and supporters will be frustrated. These adverse impacts will be felt across government departments, causing far bigger losses in other areas than the minimal amounts intended to be saved by Defra.
12. The scale of the cuts means that BW will have to make year on year cuts in areas “soft” for cutting, such as maintenance and waterway restoration projects.

13. BW’s chief executive warned at its Annual Meeting in October that the waterways could not be “expanded” as BW will not have the finance to support many of the more than 100 restoration schemes currently under discussion.

14. The cuts also mean that the benefits of inland waterways will reduce, as many boaters will have been forced off the water since BW has stated that licence fees are to rise substantially. Maintenance will reduce, thus users from all walks of life will be discouraged from using the waterways. Historical evidence shows that lack of use leads to anti social behaviour and general decline.

15. BW’s chief executive Robin Evans also said at its Annual Meeting “In December 2005 our grant from DEFRA was £62.6 million, we would have expected that grant to remain at that level or increase in line with inflation. The reality is that we have had a 12½% cut this year and are under threat for it to rise to 15%. Most of this was imposed well into the financial year when a very large part of our budget was committed.” He concluded that something like 20% of available spend would have to be cut. Anticipating 07/08 he believed the grant would be £55.4 million.

16. The actual figure was remarkably close to his prediction at £55.5 million and was published by DEFRA in the late afternoon of the last working day before Christmas.

17. Throughout the autumn the Waterways Minister Barry Gardiner stated that the cuts were a one-off (see Radio Five Live interview with Jane Garvey 12 October 2006), that the 180 job cuts announced days after the Annual Meeting were part of BWs normal re-structuring and that no decision had been made regarding the 2007–08 grant. Even so, the figure of 180 BW jobs lost takes no account of the many more jobs lost by private maintenance contractors, etc.

18. The fact that the government clearly plans major reductions in its funding of British Waterways year-on-year has massive implications for it. Even modest budget reduction mean that maintenance engineering has to be delayed; thus minor repairs jobs turn into major rebuilds—because the “stitch was not in time”. Thus the multiplier effect of cuts impacts right across BW in all areas, as even more money has to be spent on what would have been minor maintenance jobs had they been done in time. What may seem a few million pounds today quickly multiplies up to many tens of millions in the near future. It is easy to see how the effects will be devastating. It happened before in the 1970s. People close to the waterways understand this and remember what happened before, which is why the campaign among waterway users is so passionate—people understand and remember how quickly the waterways can decline.

19. IWA contends that all along ministers knew that this was not a one-off but a planned reduction in spend, to enable money to be redirected to other areas such as Climate Change as well as fill financial holes created by problems such as the Rural Payments Agency.

20. IWA believes the effects of these cuts cannot be over-estimated and that ministers have failed to understand the impact of their decisions.

MAINTENANCE

21. The scale of maintenance for BW is almost impossible to imagine. It is responsible for more than 2,000 miles of navigable waterways, 2,739 listed buildings (only the National Trust and Church of England have more), 42 scheduled monuments and towing paths and outdoor structures throughout the country. Last year BW spent £1.3 million on litter collection alone.

22. Most of the network dates back over 200 years, can be complicated, and requires regular maintenance and supervision. Even experienced boaters welcome assistance on many lock flights and through structures such as tunnels, let alone the increasing numbers visiting on hire fleet boats. Delays and closures to parts of the system are regular and these problems will increase if maintenance is neglected.

23. All users will be discouraged from visiting waterways if they are neglected and litter strewn. The less they are used the greater will be the problems associated with anti social behaviour. This will impact on other areas of government policy as fewer visits will mean less people are cycling, walking or taking part in physical activities on or around the water. Lower maintenance standards also mean the waterways will become less accessible to all sectors of society, especially those with less than full mobility.

24. In its Annual Report 2005–06 BW states that it had £119 million of outstanding statutory maintenance arrears—i.e the cost of restoring the absolute minimum standards that Parliament has decided that BW must maintain. BW had hoped to eliminate these arrears by 2012 helping it to achieve its overall vision.

25. Last year, even before this round of cuts, the government cut its grant to BW by £2.5 million. The amount BW spent on reducing maintenance arrears dropped from £27.2 to £25.6 million—a cut of £2.4 million—a remarkably similar figure to the cut in funds from the government.
26. Apart from the 180 job losses in year BW has also “merged” two regions—Central Shires and West Midlands—both in the heart of canal country. This will lead to a further distancing from the waterways of BW managers, as they are physically both fewer and further away from the canals and users they previously have worked with.

27. *IWA contends that reductions in maintenance will reduce boating and other activity, adversely impact across many government policies and reduce the benefits currently enjoyed by the wider community.*

**Dredging**

28. One area of the network little understood is that of dredging. Both rivers and canals can silt up quickly and thus quickly become unnavigable. The system needs regular dredging in order to keep it open for traffic. Many canals, often those constructed originally on a shoestring, are even at the best of times difficult for deep draughted vessels to navigate. The Caldon Canal and Leicester section of the Grand Union Canal are good examples. Lack of dredging causes greater erosion and increases other maintenance costs.

29. *Dredging is expensive, particularly as landfill taxes rise, but lack of dredging will quickly result in some canals becoming impassable, and cause increased long-term costs.*

**Restoration and Development**

30. More than 200 miles of navigable canals have been re-opened in recent years—an achievement brought about by money from central and local government, by European funding, Lottery, fundraising and sheer hard voluntary effort.

31. Among the crowning achievements, where dead waterways have been brought back to vibrant life, are the Kennet and Avon, the Huddersfield Narrow and the Rochdale canals. Countless communities have been transformed by the re-opening of canals or canal stretches. One example being the Anderton Boat Lift, known as the “Cathedral of the Canals”—now a major tourist site to see boats lifted 50’ between the river Weaver and Trent and Mersey Canal.

32. A recent success is the Liverpool Link. In 2005, BW secured all the funding and permissions needed for construction work on the Liverpool Link to start. The £17 million financial jigsaw comprises a £7.5 million award from the Merseyside Objective One programme, along with funding from North West Development Agency (£7.5 million), English Partnerships (£1.7 million) and BW (£210,000). Work on the new waterway started in late 2006 and is due for completion at the end of this year, the city’s 800th anniversary, and in readiness for the Capital of Culture celebrations in 2008.

33. BW expects the Liverpool Canal Link to entice more than 4,500 boat visits to Liverpool’s waterfront each year, adding colour and vibrancy to the currently underused waterways around Liverpool’s southern docklands. Boats will be able to navigate through the current canal terminus at Stanley Dock and into the heart of the city’s new focal point at Pier Head. The Link and boats are likely to attract 200,000 extra visitors each year, spending an additional £1.9 million, generating nearly 200 jobs for Merseyside.

34. It is a good example of BW’s involvement in partnership working with regional agencies and the regeneration sector.

35. The above restorations all required significant investment, in terms of both expertise and financial support, from BW. Additionally BW has had to accept responsibility for the maintenance of waterways once they are re-opened. But it is unlikely that BW would be able to undertake new responsibilities in a climate of cost-cutting.

36. *IWA is greatly concerned that was has been described as The Second Canal Age will come to an end as a result of these cuts.*

37. Just one example of the many future schemes that may be threatened is the Montgomery Canal, which runs for 35 miles from Frankton Junction near Ellesmere in Shropshire, to Newtown. It was abandoned after a breach in 1936. Restoration has been painstakingly patched together over more than thirty years, and has received considerable support and assistance from local authorities, IWA and volunteers from Shropshire Union Canal Society and IWA’s Waterway Recovery Group who have restored many structures, including the locks at Frankton, Aston, Carregphofa, Burgeddin, Brynderwen and Newhouse.

38. The canal is now open to navigation on an isolated 11-mile section from Berriew, through Welshpool, to Ardleen and for six miles from Maesbury to the junction with the Llangollen Canal at Frankton Junction. This is currently being extended with £1.1 million funding from a Heritage Lottery Fund Grant, European and BW funds and grants from of Shropshire Union Canal Society and IWA. Restoration is promoted by a partnership led by BW, and including the local authorities, heritage and wildlife groups, Montgomery Waterway Restoration Trust, IWA and Shropshire Union Canal Society.

39. BW is usually a key player in waterway restorations, even where they are not owned by BW, because of its expertise and resources. In the current climate that role is likely to be lost, and much investment from the voluntary sector would be lost.
40. Robin Evans, again at the recent AGM, explained that BW’s tightening financial situation made it more risk averse and this would affect its readiness to take on new projects and actively participate in restoration schemes where it is not already committed.

41. By not expanding the network BW would reduce the future financial opportunities it can itself reap.

42. *IWA is greatly alarmed that future restoration schemes not already committed could be shelved for the foreseeable future.*

**REMAINDER WATERWAYS**

43. The 1968 Transport Act labelled some of the lesser used waterways of the time as remainder. This includes, for example, much of the now very well used Kennet & Avon Canal. Such labelling is obsolete and acts as a barrier to funding. There are approximately 180 miles of navigable remainder waterways that should be reclassified to “cruiseway” status straight away. It would cost government nothing, and there is no reason that it could not be done immediately. Whilst this will not in itself produce extra funding, it would remove the excuse for local authorities, regeneration bodies and the private sector to treat these as second-class waterways.

**STEWARDSHIP OF THE NETWORK**

44. In recent years BW has developed a number of strategies to increase income including encouraging business to develop new marinas, property developments such as Paddington Basin and a more property development orientation rather than a focus on stewardship of the existing network. This pressure can only increase in the current financial circumstances.

45. Many of the planning gains obtained by BW have been to the benefit of boaters and other users, but increasingly, particularly in inner cities, canals are lined by rows of new designer flats built on former wharves, and at the expense of the historic waterway landscape being lost. Such new developments are often aimed at young single people or as retirement homes rather than as mixed communities. In some parts, like north London, all original wharves have gone and access to the water is increasingly difficult. In other instances new developments have been built alongside boatyards and marinas with pressure from the new owners for boating activity to be curtailed.

46. The network is historic and reflects the different private companies who originally constructed it. Recently BW has formed a new partnership with Newcastle Pub Enterprises to build or run 100 pubs along the network. If not sympathetically handled, the canals could find uniform pubs unsuited to the local environment.

47. It is simply unacceptable, and ultimately self defeating, for the waterways to be allowed to be stripped of their historic character and purpose for short-term commercial gain.

48. *IWA is concerned that unreasonable financial pressures are forcing BW into inappropriate dealings to over-commercialise the waterway network and asset-stripping at the expense of environmental and historic considerations and without due regard for public benefit and amenity.*

**FREIGHT**

49. One of the tragedies of the decline of Britain’s waterways in the 20th century was the end of mass freight movement on the waterways. During the first Canal Age the ability to move goods by water revolutionised industry, which previously had relied on packhorses.

50. The government, particularly the former Office of Deputy Prime Minister, has been keen to develop increased movement of freight by water in recent years. Some developers are now using the canals to move aggregates and building materials by canal. There seems to be a general goodwill for the waterways to be used to bring materials to the Olympics site and a new multi-million pound recycling scheme has started on the Regent’s Canal.

51. IWA welcomes this development and believes it should be encouraged through Green Taxes. Non time-critical materials, such as paper, materials for recycling, coal, etc, could be moved by water, thus reducing carbon emissions and greenhouse gases—and removing many lorry movements from the roads. Financial incentives to industry to move to water would also increase BW’s income.

52. *Government should reaffirm its commitment to the more environmentally-aware method of freight movement, and turn words into actions by investment and incentives to get appropriate traffics on to the water.*
A Network for the Future

53. IWA believes that the current waterways network is fragmented and needs to be brought together. Currently there are more than 20 navigation authorities in the country, all of whom have different rules and licences.

54. A trip from Guildford to Cambridge would require a licence from the National Trust through the Wey Navigation, an Environment Agency licence along the Thames, a BW licence from Brentford to Northampton, a completely different Environment Agency license from Northampton to Peterborough, different arrangements through the Middle Level Navigations to the Denver Sluice (a tidal lock currently suffering from severe silting) and then back to the Environment Agency’s Anglian regime for travel to Ely, and then separate arrangements for the river Cam, from the Cam Conservators, into Cambridge.

55. Each navigation authority has different rules and regulations.

56. A single licence along the system would save all parties money and reduce bureaucracy; the duplication and cost to both navigation authorities and boat owners alike is immense, unnecessary and needs addressing.

57. In recent years the inland waterways have brought outstanding benefits to the nation, addressing agendas in all parts of government and providing one of best rates of return on investment seen anywhere in public spending. British Waterways is widely seen as virtually the only success story within DEFRA. Restoration schemes have rightly earned the waterway sector recognition as leaders in both urban and rural regeneration—and all at remarkably small cost, and always on time and on budget. Quite simply, an unrivalled success story—and yet, seemingly, government would throw all this away for some tiny savings.

58. If the proposed cuts in funding are allowed to happen, the net effect to government policies ranging from health and sport through to environmental protection will suffer. BW will lose its ability to expand and assist itself in becoming more self sufficient. It will be unable to meet its aspirations for 2012.

59. The old saying “for a hopporth of tar the boat was lost” was never more apposite.

The Inland Waterways Association
January 2007

Witnesses: Mr John Fletcher, National Chairman, Mr Neil Edwards, Chief Executive, and Dr Roger Squires, Chairman of Navigational Committee, Inland Waterways Association, gave evidence.

Q1 Chairman: Can I welcome everyone to the first evidence of the Sub-committee of Environment Food and Rural Affairs Committee to look at British Waterways, and related matters to the waterways system. We think this is an important investigation at this time. Obviously it comes on the back of quite a difficult budget round, which no doubt we will be alluding to, but we do not want to limit it to that but look at the strategic direction referring back to the paper Waterways For Tomorrow and also looking at some of the other things that have been happening on our waterways for some time, and where we can be taking things to in the future. Now we start with the Inland Waterways Association and we have before us John Fletcher, National Chairman, Mr Neil Edwards, Chief Executive, and Dr Roger Squires, Chairman of IWA’s Navigational Committee. If I could start with just an introductory question to you, Mr Fletcher, could you say very quickly what you do as an organisation and who you represent?

Mr Fletcher: We campaign for the maintenance and the restoration of the waterways, and we have a wide interest, including freight, of course, navigation and all users of the waterways. We are a charity and, therefore, we do not represent the individual interests of any particular group: we represent the good of the waterways as we perceive it.

Q2 Chairman: That leads into my first question. Can you give us a state of the nation report on the waterway network? What is the state of repair?

Mr Fletcher: I think that over the last 10 years or so there has been a tremendous improvement in the state of the waterways which has not necessarily been helped by the diffuse nature of its management which, of course, extends well beyond British Waterways to include Environment Agency, Norfolk Broads and several independent waterways. Nevertheless, the extra investment which government has provided has done wonders for the state of the waterways and, in particular, to remove the worst of the backlog of maintenance, and that has enabled a number of new developments to come along which has included a very high degree of urban regeneration, much of it assisted by funding from Lottery funds, and also a significant amount of rural diversification as well. Much of that is, however, currently threatened and the one thing that has not been established, to the best of my knowledge, is what is an appropriate figure to run the waterways and maintain them in a sustainable way, whatever the source of that funding, and British Waterways in particular have, of course, been looking much more widely and creating new funding sources which have not been open to the other navigation authorities in the same way, and therefore they have even greater problems perhaps.

Q3 Chairman: Do you support the general strategy that BW is pursuing, including this notion that they could become self-supporting at some point in the future?
Mr Fletcher: No, I do not support it to that extent. I think there is an opportunity to drive new income streams and I think that the current extra government funding streams are potentially threatened by the insecurity of the funding at present, but I do not believe it would be appropriate to be totally free of some sort of government funding. The reason I say that is that the boaters, for example, represent something like 3% of the visitors, and we have a list of all the other visitors which come to the waterways, many of whom it would be impossible to charge for the benefits they derive and for all the government agendas which are subscribed to by the waterways. Short of putting turnstiles on the towing path there is not any way of recognising those alternative provisions which the waterways make, and I think it is appropriate that it is recognised by some form of public funding.

Q4 Mr Jack: Can I bring you back to the Chair’s first question, Mr Fletcher? You said that the extra money had dealt with the most needed repairs but if you were to grade the existing infrastructure as sort of “good”, “acceptable” and “poor”, and I choose those just as three words, give us a flavour as to what needs still to be done, bearing in mind the budgetary restrictions. What is the baseline? Where do we start from?

Mr Fletcher: I am not an engineer but I think that is quite a difficult question to answer because of the nature of the structure particularly of the canals, which are more than 200 years old in the main and, therefore, in a very friable situation and potentially always at risk of deteriorating and deteriorating catastrophically. You cannot always determine a cause and effect but it is quite remarkable that during this first year, when there has been less expenditure, there just happens to have been rather more catastrophes on the waterways over this last winter. So predicting that which is going to fail is always difficult.

Q5 Mr Jack: When you use the word “catastrophe”, what actually do you mean by “catastrophic” failure?

Mr Fletcher: For example, an embankment giving way or a culvert under it which drains the canal, causing damage locally to the farms nearby or nearby houses or whatever preventing the waterway being used as a through route, and the more that happens of course the more people lose their faith in the ability of the waterways to provide employment, because there is no certainty about them being there and viable, and there is less encouragement to take holidays by hire boat and that sort of thing.

Q6 Mr Jack: One final point: within this sort of area of increased frequency of failure, are any of these at all preventable or predictable by regular planned maintenance? Can you spot the weak points?

Mr Fletcher: You can spot the risks, and British Waterways are very good at that. The problem is that the less maintenance you do the greater the risk, and there becomes a balance tipping situation where not only are the risks very much greater and therefore the failures more frequent, but the cost of putting them right then escalates. It is a stitch-in-time situation and there is not a crunch where you can say: “This has failed because”. It is an increasingly serious situation that will have greater frequency of things going wrong. There is not a specific tipping point and that is what makes it very difficult to analyse and justify the expenditure because it is rather hidden. But it is, I believe, an increasing risk all the time.

Q7 Chairman: So is it fair to say that you are gently supportive of BW but you believe BW is under-funded, from what you just said? You can argue where that additional funding comes from but do you think that BW is the appropriate organisation to organise the operation of the waterways in general, or should it be taken over by another body?

Mr Fletcher: British Waterways has changed out of all recognition over the last 10 or so years and that is importantly as a result, I believe, of the style of management and partly as a result of the increased funding by government. As an organisation, however, we have always maintained that it would be most appropriate for there to be one navigation authority for a number of reasons, not least the management expense of having a number of navigational authorities—not just the major ones but, of course, guarding our heritage are a number of individual waterways that are self-financing or financed in other ways, and these face considerable difficulties as well. The fact that Environment Agency runs a number of our navigations does mean there are two major sets of administration looking at navigations, and we believe that is not only inconvenient for boaters—

Q8 Chairman: In the consultation did you actually support the conflation of those two organisations into one?

Mr Fletcher: We did not specifically talk about that but it is nevertheless something which we felt was appropriate and we have been campaigning for a single navigation authority ever since the association was founded more than 60 years ago.

Q9 Sir Peter Soulsby: Before I ask any questions can I remind colleagues and put on the record that I am, of course, former vice-chairman of British Waterways and, indeed, also a member of the IWA—not that that will affect my questioning in any way! There has been obviously a lot of focus of late on the reductions of funding to BW. Could you say a little bit about what the IWA believes would be the impact of the grant reductions that have taken place, perhaps in the short term, this year, and perhaps looking beyond that, if there are further reductions beyond the current period?

Dr Squires: One has to start to analyse where we are now. The Government set a target for British Waterways to get rid of the statutory arrears by 2012. In the last annual report British Waterways identified £119 million worth of statutory arrears. With the Government cuts one has effectively seen a further reduction in the amount of money that is
going on maintenance, so the days on which those arrears are going to be removed are going to take time, but at the end of the day the waterways need to identify their assets. British Waterways, for instance, keep an asset register. Under freedom of information, 444 items within that asset register were classified as being poorly maintained. We therefore have a situation of potentially even more poorly maintained items if they are not looked at frequently, and we are going to have an ever-deteriorating system.

Mr Edwards: I think it is very difficult for us to know all the different areas on which BW needs to spend its money, so to work out exactly which portion should be funded by all the different users. I think we do not have a firm view on that.

Mr Fletcher: Yes. I have nothing to add to that really.

Chairman: We will now move on to looking at existing funding arrangements, and David Lepper will look at who pays what.

Q10 Sir Peter Soulsby: But is it not fair of the government to argue in response to that that the level of reductions are comparatively small in proportion to the overall expenditure of BW, and that the impact is therefore likely to be no more than marginal?

Dr Squires: The argument is always that British Waterways must identify how much money it believes it needs in grant in aid to run its business over and above that that it can gain from its commercial operation. It has given that estimate to the Department and that estimate a year ago was £65 million worth of grant in aid. In effect, they only ended up with £7.1 million less than that over the year. Now, if you are constantly being asked to judge how much money you need to spend and you are not given the money you need to spend, who else is going to make a judgment unless you get an independent consultant in to look at the assets British Waterways has, and to identify how best those assets can be properly maintained and what the expenditure should be? It is no use simply relying on commercial activity to bring in extra funds to meet the gap because one never knows how that commercial activity is going to fare.

Q11 Sir Peter Soulsby: Unless it is the argument that the Government put when they are asking you these questions that the sums involved are a comparatively small proportion of the total.

Dr Squires: If I may come back there, everything is a comparatively small part of the total, but if you look at the way in which you are putting the total together you have a certain amount for certain elements of the job you are doing, and British Waterways, in its commercial activities, has taken the view that those commercial activities need a lot of resource to ensure that they bring in revenue. At the end of the day the assets have to be maintained, and it is only by having a proper cashflow to meet that maintenance bill that one is going to be able ultimately to be assured that the assets will deliver and not fail.

Q12 Sir Peter Soulsby: In response to an earlier question Mr Fletcher took issue with BW’s ambition by 2012, and gave an argument for continued government funding. I wonder by what mechanism you think it is appropriate for the level of that funding to be determined?

Mr Fletcher: I am not an expert on that. I do not know if Neil feels he could answer.

Mr Edwards: I think it is very difficult for us to know all the different areas on which BW needs to spend its money, so to work out exactly which portion should be funded by all the different users. I think we do not have a firm view on that.

Mr Fletcher: Yes. I have nothing to add to that really.

Chairman: We will now move on to looking at existing funding arrangements, and David Lepper will look at who pays what.

Q13 David Lepper: Thank you, Chairman. You understandably pointed out, Mr Fletcher, earlier the difficulty of devising a system whereby users other than boaters of the waterways might pay a contribution other than putting up turnstiles, I think you said, and one appreciates activity. Nevertheless, I think it is true that boaters are, in overall total, the minority of users of the waterways and it is cyclists and anglers and ramblers and casual walkers who outnumber them, and Save Our Waterways seem to be arguing that cyclists ought to pay a share because of the wear and tear on the towpaths, and I think they also argue that a portion of the annual rod licence fees that the Environment Agency collects from canal anglers should go to British Waterways. Is that an argument that you would support?

Mr Fletcher: I think that it would be seen to be equitable if there was recognition of all those who benefit from the waterways, and the number of those who actually go fishing is perhaps three times as many as those who go boating. Clearly, the users of the waterway that create by far the most visits are those who use the towing path walking, rambling, dog walking—whatever. That brings me back to the turnstile situation which is totally inappropriate, and therefore I think there should be some recognition in the funding of all users, whether that is a direct charge or whether it is a grant in lieu of a direct charge, and I am not suggesting precisely where that charge should be levied but one has to look at local authorities and one has to look at all the benefits that come to the waterways. For example, walking does contribute to the health agenda, and there are all sorts of agendas of government which are beneficiaries of the waterways, because nearly everybody lives within five miles of a waterway and goes towpath walking on a regular basis, if they go walking at all, and it is a very healthy way of getting into the outdoors, and this is totally unrecognised. So I do not think I have, and I do not think the Association has, a strong view on whether anglers should specifically be charged more, or any of the other users, but I do think that the uses and the wide number of other users should be recognised in some form by the way the funding of the waterways is structured.

Q14 David Lepper: Were you suggesting earlier in what you just said, when you talked about local authorities, grants from local authorities?

Mr Fletcher: I do not feel competent to suggest where it should come from; I only believe that it should be recognised. I do not know if either of my two colleagues would like to comment further but I
believe it should be recognised. I do not feel competent to suggest exactly from where it should come, or how.

David Lepper: I think, Chairman, it is true we will not have a chance to ask local authorities about that because none of them have put in any evidence.

Q15 Chairman: Yes. We have had a lot of evidence, as you can imagine, but interestingly not from any local authority, let alone the LGA. Now, we may try and put that right but it is interesting that the local authorities in terms of their various planning documents refer to the importance of waterways and canals passing through their areas, but they have not written into us at this time.

Mr Fletcher: And one would have to recognise, Chairman, that where waterways have been regenerated, the Rochdale Canal, for example, and no doubt in your own constituency things will be happening—

Q16 Chairman: We are still waiting, but we are optimistic!

Mr Fletcher: —but certainly on the Rochdale Canal the support from the local authorities promised has been difficult to extract, and no doubt they are facing exactly the same problems as this government as a whole is, so it is a difficult situation and I recognise that, but I do not think the fact that it is a difficult situation should result, for example, in either the 3% of users which are boaters being lumbered with the cost when, in fact, they bring the animation which other people come to see and visit, or that the waterways should be forced into a situation where the heritage is not adequately guarded and the need to make a fast buck to keep things going in fact detracts from the quality of the waterway, and the stewardship has deteriorated because of the pressures on British Waterways to make money in other ways.

Q17 David Lepper: You have talked about making a fast buck but I think you have also referred in your evidence to some inappropriate property dealings that have been made in order to raise funding. Could you enlarge on that a little?

Mr Edwards: What concerns us is that the pressures on British Waterways to raise sufficient money to maintain those waterways could lead them into property development along the side of the waterways that does not necessarily take due regard of the heritage as much as not only we would wish, but also British Waterways in their own heart would wish. If they are being pressurised to scrape and save every penny then, when an attractive property deal comes along, surely they will be tempted to take the money rather than safeguard the heritage to the extent they would otherwise do if they had proper funding all the time to cover all their duties and maintenance requirements. So I think we fear that a tightening of finances for British Waterways would lead to more inappropriate property developments along the waterways. I think we could go along any waterway and point to those developments that we think truly recognise the character of the waterways and the heritage and so on, and those developments that do so in a less favourable manner, and I think we fear that the tightening of finances is leading to a downward trend in this aspect. There are always a number of developments where members have expressed great concerns at the loss of heritage, or the loss of character of waterways or just a sense of place in the waterways through what seems to be development purely for raising income and what might be termed money grabbing, and I think this is where we have our principal concerns.

Q18 David Lepper: Would you like to give us any precise examples of what might be considered inappropriate development?

Dr Squires: At the moment we are presently speaking at a public inquiry into a development at Brentford Basin. Brentford Basin was a river/canal interchange port, but here there has been a very successful residential development put into an island site which used to have warehouses on it with a little ecology park within it. The whole of that development was within human standing; in other words, it was not high rise. Now, there is pressure to develop the other side of the Basin and to pull down what we consider to be an historic warehouse—in fact, one of the last warehouses ever built by a canal company to try and compete in the market for trade. Now, even the residents in the island site are saying: “That development is too high”. They are talking about eight storeys high as against four on the island, which will cut out the afternoon sun. We are arguing that the historic warehouse is going to be taken away and the boaters’ facilities are going to be removed because they are wishing to put finger arms in a linear mooring that is beneficially used by boaters in transit from the river. So here is a direct example of a situation where the need to make the maximum amount of money from the site is, we feel, overriding the heritage of the site and the usefulness of the site to the waterway users, and even going against the people who now live there, and that seems to be wrong.

Q19 David Lepper: And the example you have chosen in answer to my question there does suggest that your organisation believes, and would support, appropriate property development, and it is not a blanket objection to development of any kind.

Mr Fletcher: We could more easily identify some very good developments but the worry, as Neil pointed out, is that the pressures are coming to be more self-sufficient, and the pressures that that will cause give rise to considerable concern.

Q20 David Lepper: You have understandably concentrated on the dangers of inappropriate property dealings to raise money damaging the environment and the heritage and the amenity of perhaps the people who use the waterways and live beside the waterways. One of those has provided evidence to us and has suggested that the National Audit Office should examine British Waterways’ property portfolio to establish whether some of those developments have retained a reasonable
Mr Edwards: Whilst we would always wish British Waterways to get the best it can out of a particular situation, bearing in mind the heritage and that we want to safeguard, I do not really think it is the remit of the Association to question British Waterways in those particular aspects. Our role is to try and safeguard the good of the waterways themselves, and that is the point we would always particularly challenge on.

Q21 David Lepper: Finally, I take what you have just said but do you feel that the way in which British Waterways goes about its property dealings is always transparent?

Mr Edwards: I think to some extent we think there could be some improvements. We do not say that it is terrible or awful or we have real problems with it, but I think users and the waterway public always want to know what is happening with “our” waterways—“our” in the widest sense of the public’s waterways—and I think to some extent British Waterways will be confined by commercial confidentiality in any particular development they are undertaking. We always look to British Waterways to be as open and transparent as possible in everything they do, and we would encourage British Waterways to try and explain to waterways users and the public in general exactly what they are planning in as much detail as they can without going into the commercially sensitive areas, but the more open they are, the more explanation and the more information made available, then the more satisfied users of the waterways are likely to be that things are not being done behind their backs. It also gives us an opportunity, where we see something we think is wrong, say some heritage is being lost, to speak and point this out and have a sensible discussion to reach the optimum way forward, and I would like to think that occasionally we can provide useful guidance and thoughts from the public to British Waterways to try to assist and help them get the best out of the waterways. The more open they are with us, the more we will try to assist.

Q22 Mrs Moon: In terms of the development you describe and the eight-storey housing development, is that land that has already been sold by British Waterways to a developer, or is this a development that British Waterways is investing in and planning to market itself?

Dr Squires: The site at Brentford is a conglomerate site where marriage value has been gained by British Waterways through their property development associated company, Isis, which had put together the overall site. So British Waterways has brought some land that it owned in but other elements of that site have been brought together. So it was a large commercial site under multi ownership and the ownership has been drawn together over the years, as all property developers do.

Q23 Mrs Moon: So they retained their part ownership but have merged with others?

Dr Squires: Yes.

Q24 Mrs Moon: So it is their plan, not somebody else’s?

Dr Squires: It is an Isis plan, Isis being an associated company with British Waterways.

Q25 Mrs Moon: In terms of the warehouse you described, what is its current use?

Dr Squires: When the Isis developers decided that the plan should go forward they gave notice to the steel stockholder who operated within the warehouse that they needed to end the lease, so 14 men were put out of work when that lease ended and the warehouse was vacated.

Q26 Mrs Moon: When was that?

Dr Squires: That was about a year ago. The actual element that we are particularly concerned with is an overhanging wet dock and warehouse which was an interchange facility which is in a conservation area, which, equally, the developer wishes to remove as part of the development. We felt it was inappropriate to take away an element that was already within a conservation area, because it was part of the ambience of that conservation area, although it was not a listed building as such.

Q27 Mrs Moon: And you know for certain that people were made unemployed as a result of this development?

Dr Squires: When the firm closed down the 14 employees of the steel stockholder lost their job, because the business was shut down.

Q28 Chairman: Can I just ask about this issue of the asset value of the BW interests? In their evidence the Association of Waterways Cruising Clubs says that the essential property portfolio should be increased to at least a billion pounds. Does it matter to you that we know accurately what the asset value of the property that BW owns is, and would you accept that figure of a billion pounds?

Mr Fletcher: I am not competent to respond in detail on that but, if I can answer the question indirectly, at the moment British Waterways is, of course, constrained by what it can do with its assets and where it can hold its assets and certainly, were the opportunity afforded to British Waterways to use its assets in a wider way, perhaps by having holdings other than immediately adjacent to its own navigations, whether it was managing those navigations subsequently or not, there would be an opportunity for, in fact, a wider income stream. We would still retain that concern about the pressures that were created in how that land was developed, and once the pressure gets too great then the judgment may be affected, but the potential to develop an income stream from a wider use of land adjacent to waterways in general, not just British Waterways’ waterways, would be one way of...
creating a further income stream which would not be detrimental to the waterways, with all the caveats I have already expressed.

Q29 Chairman: Can I be clear then: do you think that BW should know exactly what its current asset base is, and should be transparent about that and should try to bring forward an income stream more definitively from the knowledge of that asset base?
Mr Fletcher: Yes.

Q30 Mr Jack: We have talked indirectly about leisure, but it clearly has tremendous potential. Part of the renaissance of canals has been the use by leisure users either of the canal or the towpath, but if we concentrate on the waterboard leisure use do you feel there is further potential for that to be developed, and if the answer to that is yes, in what way and how is it being held back? If it is no, could you give us the reasons why?
Mr Fletcher: I would have to say yes, but again there are caveats. The waterways are in places getting quite crowded, and one of the joys of the waterways for all users is that the level of use should be adequate but not overdone. There are honeypot sites which do tend to get very overcrowded with visitors and with boats. That can detract from the quality of the experience, and there is a balance to be achieved. The one thing that is not being fully explored but which British Waterways has, with the help of various Lottery funds, made great strides on is expanding the network. Expanding the network has created tremendous opportunities for greater use by all users even in many places that were nowhere near waterways, particularly in the north west where I come from and over the Pennines, and I know that colleagues in the Chairman’s constituency have looked with some envy at what has gone on in the north west over quite a long period. But it is not just the general contribution to leisure: it in fact has produced urban regeneration and improvement in the quality of living of everybody. Places like Stalybridge on the Huddersfield Narrow Canal and places along the Rochdale Canal are all making tremendous strides forward, and increasingly the opportunities to improve rural diversification have been taking place. So it is in the expansion of the system, and the Kennet & Avon is a classic example, and the opportunities for expanding the system which pay back with a very quick return. I am not an expert but I know that the Kennet & Avon Canal in particular produced results far in excess of expectations.

Q31 Mr Jack: So, with your knowledge of the system, can you give us some indication as to where this potential by expansion still lies? Is there a whole raft of schemes available?
Mr Edwards: There are about 100 different waterway restoration schemes around the country, but one example is on the Lichfield and Hatherton canals, where the northern parts of the Birmingham Canal Navigations are very under-used and there is enormous potential for much greater usage, but they are not used because they are cut off from the rest of the system: they are at the end of a no through road, if you like. But by restoring a couple of links, one on the Hatherton side joining the Staffs & Worcestershire Canal and one on the north east side of the Birmingham Canal Navigations that would connect into the Coventry and Birmingham & Fazeley canals. You would connect the northern Birmingham Canal Navigations to very well-used waterways that are almost overused in terms of the number of boaters, walkers, anglers and everybody else who uses the waterways. So for relatively modest amounts of expansion of the waterways system you could not only restore those waterways and encourage regeneration on these corridors, but you would open up the whole of the northern Birmingham navigations.

Q32 Mr Jack: If it is that good and the payback is as quick as you imagine, why are British Waterways not taking advantage of developing it, (a) because it would increase their income stream and (b) listening to what you said before about waterside property development opening up new possibilities, the way you put it it is a no-brainer and let’s go and do it all tomorrow but there must be reasons why these things are not happening?
Mr Edwards: I think British Waterways in many respects are doing this but they only have so much capacity for taking financial risks in terms of seeing these developments happen.

Q33 Mr Jack: So are there some ways in which British Waterways’ finances are configured which do not allow them to be more entrepreneurial in terms of developing these new linkages to get round these capacity constraints you have identified?
Mr Edwards: All these restoration schemes require a package of funding from all sorts of funders, but British Waterways always needs to stand behind them and help development and do some of the early work in conjunction with the volunteer restoration schemes. At times of financial constraint British Waterways does not have the investment or the ability to invest in a whole heap of schemes all at once; it tends to pick those that it feels are the best goers. At the moment it is particularly pushing on the Droitwich canals and the Cotswold canals where money is available; Manchester Bolton & Bury where money is starting to be available—

Q34 Mr Jack: When you say money is “starting” to be available, is that British Waterways’ own money or other people’s?
Mr Edwards: Mostly it is third party money in terms of the National Lottery Fund, regional development agencies, local authorities in many cases, very often supported by the voluntary sector raising money itself. All these also, though, require an element of British Waterways even if it is time rather than physical money being put in, and when a restored waterway is being constructed usually it takes a lead party to take the responsibility of keeping the package together and possibly taking a risk with any cost overruns. Very often it has been British
Waterways taking the lead in seeing these restoration packages through to final re-opening, and British Waterways has to commit the manpower, the management, and the resources in general to see this through, and the risk, if anything goes wrong. Now, if BW is given the money to invest then it can do more of these schemes, and I think it is true to say in nearly all the waterway restoration schemes that happened the reports and studies that have been done afterwards have shown them to be great successes and well worth the money spent, and we have never heard the Lottery Fund or any funding agency regret money they put in to waterways restoration schemes.

Q35 Mr Jack: If you expand the system in the way you described, have we enough marina capacity to accommodate all the extra boats?

Mr Edwards: In some parts of the country there is a severe shortage of moorings. British Waterways is taking steps to try and encourage mooring developers but there are many planning constraints that make it quite difficult. In other parts of the country there is spare capacity, and very often it is a case that some improvements to the waterways in a particular area can stimulate demand in those areas.

Q36 Mr Jack: When you say planning “constraints” do you mean that the planning guidance which local authorities have to follow is restrictive to the type of development you are talking about, or are there other features which you could explain to us?

Mr Edwards: I would suggest there are a number of hoops that need to be gone through before any particular marina development can take place. It may be a visual amenity, it may be to do with nature conservation, it may be to do with flood control in a particular area, or to do with the actual capacity of the road network to cope with an additional marina.

Q37 Mr Jack: So it is more planning requirements than constraints?

Mr Edwards: There are a whole host of thing that needs to be put together.

Dr Squires: One of the problems with the waterway network is the extension of the canal network brings a lot of money into the local community by virtue of this new asset being provided but only the boaters’ usage of that comes back to British Waterways. The rest of the money goes to the entrepreneurs and the local authorities in the area. It is well recognised that there is a property appreciation of properties alongside water of 20% added value, but that added value goes into the pocket of the developer and the added rateable value goes into the local authority and not British Waterways. So British Waterways might facilitate but they get no return other than a few extra boats going along which we have identified is not the main usage of the waterway when so many others use it for nothing.

Q38 Chairman: Is one of the problems not that we use the term “leisure” to encompass a number of different groups, and that these groups are not necessarily singing from the same song sheet? Firstly you have the issue of those who live on their boats who are not necessarily that keen to have lots of tourists on boats going past, and as some in the room will know I also had the opportunity to go and see automatic bridges on the Kennet & Avon at the weekend, because some of my good denizens are not very happy to have bridges up and down all the time, and not happy with the thought of some of those bridges being automated which they think is going to make their lives more of a misery. It may well be that we are bringing more money into the area for the purposes of tourism, but if you are stuck for a quarter of an hour every time you try and go over the Gloucester & Sharpness Canal you do see some of the downsides of living on an island where you have to cross over the canals. Is that not something that is under-estimated when we refer to all this as “leisure”, when in reality there are these different groups?

Dr Squires: In any area in any facility the local planners have to identify what they are trying to achieve and there is negotiation that needs to take place, and sometimes it is necessary for the road planners to find a way of getting their road over the waterway without the lifting bridge, and that is quite easily done—

Q39 Chairman: I am going to smile because that is the view of the some of the people I represent, but it does not quite happen that way because it costs a fortune to raise bridges and so on, does it not?

Dr Squires: But very often one could reasonably argue that there is a decision that has to be taken as to where the unacceptable delay cuts in and an alternative solution has to be found. Very often the bypass has gone round the town, taken the traffic out of the town and the whole of the centre of the town has been pedestrianised, and the same can happen with the waterways, and when a new road scheme is planned you actually plan the scheme not to have a lifting bridge in it but have a bridge that goes over the waterway. A very good example of this is on the Wendover Arm of the Grand Union Canal when the new bypass was going in at Aston Clinton. The new bypass with a small diversion of the waterway had a bridge with sufficient headroom for the waterway to get underneath it whereas, if it had not been diverted, it could have been a major catastrophe in that the waterway could never have been reopened. So there are ways round problems and one has to identify what is the most cost effective solution.

Mr Fletcher: If I may, Chairman, we have a mantra within the Inland Waterways Association “Waterways for all”, and quite clearly the direct users of waterways often come into conflict one with another, whether it is anglers and boaters or whatever, and there is a need to get together and talk and come up with the compromise to which Dr Squires has referred. On those waterways restored fairly recently, particularly over the millennium period, where there are movable bridges, then in fact the problems have not been as great as were anticipated and I cannot think of any problem on the length of the Rochdale Canal with movable
bridges where there has been a significant problem that has annoyed the local residents at all, and I live quite close to it. **Chairman:** Let us move now on to the freight issue. David Lepper?

**Q40 David Lepper:** Most of our canals I suppose were originally constructed to carry freight as an essential part of our industrial revolution, but freight is now a lower minimal part of the usage of canals these days, as I understand it, and it looks as if British Waterways is a bit reluctant to see expansion of the use of waterways for freight, although it is involved, I believe, in looking at creating non-tidal waterways through the Olympic zone to carry construction materials. What is your view about the potential of our waterways for increased use to carry freight?

**Dr Squires:** If I may, Mr Chairman, I think one has to not denigrate some of the good work that British Waterways has done in bringing new opportunities for freight. Here in London just on the Paddington Arm of the Grand Union Canal at the junction of the railway at Willesden and the canal and an industrial road, a new wharf has gone in, a new recycling plant called the Powerday Recycling Plant, facilitated by British Waterways. British Waterways has looked in the Lea Valley at the opportunity for taking Hackney's waste to a recycling plant up the River Lea, and have been actively involved in organising trials for that. In relation to the Olympics, British Waterways has been the supporters of ensuring that water freight can move up to 20–30% of all spoil out of the Olympic site, have put forward proposals for the development of a new lock to make sure that the water levels in the Olympic site are stabilised, and have been fighting hard to get a partnership arrangement for that facility. Here British Waterways has actively identified that there were 400,000 lorry loads per year that could be removed from the roads of east London by allowing the rubbish to be taken out of the site by water and the supplies to be brought in by water, but that required a package of money originally identified at £17 million but now up by £2.5 million to about £19.5 million. It is the problem of getting the partnership together. Ken Livingstone is a supporter of waterways and put his hand up and immediately said that Transport for London would put in £4 million to deliver the vital transport movement facility that was needed, because water is the most environmentally friendly way of moving goods. They saw there was the crossing of the Elbe where they needed a new aqueduct to be built; there was the problem of low bridges to get the headroom for the larger loads to be moved, and of course the economics of waterway freight where the 2,000 tonne size is recognised as the most economic standard within Europe. Now, the Germans have set out and have delivered on each of those elements; they have widened the Mittland Canal, they have deepened the canal, they have raised the bridges and have built the new aqueduct, and now they are geared to link Berlin with the Rhine because they have made the investment. But making investment in the waterways is a long-term process, and we have never had long-termism in this country—unfortunately—and there is a distinct lack of planning to meet the country's needs. One can look back in this country to the last waterway development which was the Sheffield and Yorkshire navigation which was enlarged to a degree; the trouble is it took so long that by the time it was completed the industry in Sheffield had declined.

**Q41 David Lepper:** I am grateful for the list of positive actions British Waterways has been taking that you have given us, and for your clear explanation of the sorts of problems that new investment brings with it. Has there been a history of under investment going back over a long period which now makes it more difficult for us, if we wish to, for instance, as part of a platform for dealing with climate change, to make more use of the waterways for freight than we seem to be able to?

**Dr Squires:** I think this is best answered by looking at the example of Europe. In Europe the Germans in particular have identified a major transit route from Berlin through to the Rhine. They had an old canal, the Mittland Canal, that was built before Hitler came into Germany, and the project was never completed, but the Germans identified that there were three factors that were stopping that canal from delivering the vital transport movement facility that was needed, because water is the most environmentally friendly way of moving goods. They saw there was the crossing of the Elbe where they needed a new aqueduct to be built; there was the problem of low bridges to get the headroom for the larger loads to be moved, and of course the economics of waterway freight where the 2,000 tonne size is recognised as the most economic standard within Europe. Now, the Germans have set out and have delivered on each of those elements; they have widened the Mittland Canal, they have deepened the canal, they have raised the bridges and have built the new aqueduct, and now they are geared to link Berlin with the Rhine because they have made the investment. But making investment in the waterways is a long-term process, and we have never had long-termism in this country—unfortunately—and there is a distinct lack of planning to meet the country's needs. One can look back in this country to the last waterway development which was the Sheffield and Yorkshire navigation which was enlarged to a degree; the trouble is it took so long that by the time it was completed the industry in Sheffield had declined.

**Q42 David Lepper:** Well, there is a warning for the future there, I think! Finally, on this issue: leaving aside for the moment the issues about investment, which are obviously vital, do you believe that, as our waterways are at the moment, there is the potential for greater freight use than is currently happening without major investment of the kind we have been
talking about? If so, who ought to be doing what to persuade those who need persuading to make use of our waterways more for freight?

**Mr Fletcher:** I would just make the general point that we have not really got an integrated freight policy which includes waterways. That has to be the first point, but I am sure Roger will go into some more detail.

**Dr Squires:** Just looking outside this building we have a wonderful artery that goes right up to Oxford. The opportunity for moving freight on the river Thames amounts to the waste barges that are going past on a daily basis and little else, apart from some gravel traffic. There is a considerable potential on the Thames and on the Severn for the development of freight movement but it requires three things to happen. Firstly, the channel must be correctly dredged. This is the major problem on the Severn—that there is potential for developing freight on the Severn if the depth of water is reliable. Secondly, the navigation structures have to be maintained to a higher level so that navigation buoys are there and so one can have a 24-hour usage, because that is the best way to optimise. But lastly there is the need to provide adequate wharfage at key points. The Highways Agency surprisingly is responsible for transferring large abnormal loads to the waterways, but they do not do it for the most part because there are not any suitable wharves for them to use. The best example is where the M25 crosses the river Thames. In Germany, for instance, they would have a large wharf at that interchange facility to get the big loads off the road system as quickly as possible to take down the waterway, but we have not got the wharf so we cannot do anything.

**David Lepper:** The other part of the question I asked involves, I suppose, whether there should be financial incentives to industry to use our waterways?

**Q43 Chairman:** For example, freight grants. Could you give us examples of where that has been used, or not used?

**Dr Squires:** There is a freight grant and that has been part and parcel of the package of money that has been put together for the Prescott Lock facility, £2.5 million was coming from a freight grant, but small freight grants are used. Cemex, a gravel and cement firm, have used a freight grant to put a new wharf in on the river Severn at Upton and they are transferring large numbers of barge loads of gravel up the river Severn, but it needs more money to facilitate some bread on the water. Unfortunately, British Waterways in their latest cuts have managed to lose the two senior posts who were meant to be coordinating transport development from their headquarters, and it is now left to regional officers who have multifunctions, in other words many other jobs to do, to promote freight. So I think one has to have a strategic policy from government that says that investment in environmentally friendly water freight is a good thing; other countries can do it, why can we not?

**Q44 David Lepper:** Would you say those cuts you have mentioned are directly attributable to the current financial situation of British Waterways, rather than to a review of how it operates strategically based on considerations other than finance?

**Mr Fletcher:** British Waterways has, we know, been looking at becoming more efficient very consistently, and many of the recent cuts would no doubt have taken place at some time—not necessarily every specific one but there would have been a cut in jobs. What happened was there was a cut some two weeks before I think it was the beginning of the financial year in their budget, which is not identified in the Select Committee’s report and there was then the major cut during the year which the Minister talks about, but the lack of planning which occurred and the suddenness of it forced a number of redundancies to take place, whereas it would have taken place in a more structured way with no need to make redundancies.²

**Chairman:** We will now look at relationships with government outside the financial boundary.

**Q45 Sir Peter Soulsby:** I have two questions really. The first is to some extent promoted by Dr Squires’ use of the example of the River Thames, because in earlier evidence and indeed in the evidence that was submitted to us in writing the IWA drew our attention to the multiple navigation authorities, and the example of the Thames is just one where they are talking about navigation authorities other than British Waterways, and in fact in the evidence you talk about the fragmented nature of licensing. Is this something more fundamental than for the convenience of boaters? Is it more than I think you suggested to us, a question of having a single licensing scheme? Are there more fundamental issues about the way in which responsibilities are fragmented which you may wish to comment on?

**Mr Fletcher:** I think I commented in my opening about the fact that the cost of administering separate navigation authorities in fact means there are at least two major structures and several much smaller ones, and that is certainly something where we believe there is an opportunity to become more streamlined. The fact that there are two major navigation authorities, three depending on whether you include the Norfolk Broads as a major one or not, with the Environment Agency, and it is only a part of their total remit, still having a significant amount of waterways to manage; the fact that we have two organisations running in parallel needing to liaise on a large number of issues does seem to us to be not the most efficient way of conducting affairs. Although our initial thoughts in that direction spring from a convenience for the users I will be quite honest that looking at it from the outside it does seem to be inappropriate to have two major navigation authorities acting independently.

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Q46 Sir Peter Soulsby: Much has been made in the discussion about the recent reductions in Defra's support of BW and of the appropriateness of Defra being the sponsor department for BW. Do you have views on whether Defra is the appropriate department? If not, who might be?

Mr Fletcher: We have not got a clear view on that. I think there are a number of issues. Where it is in government is a function of government but it is also dependent on personalities and one can never get away from that, to be quite honest. When the waterways were run by DETR we were doing quite well, thank you very much. The Scottish example where they are now under transport seems to be working well. Whether that would be appropriate to extrapolate to England I am not so sure, and I would equally have to say that we seemed to do quite well under one Minister who lasted in the post for quite a long time, even at Defra. I do not think there is a clear answer to that but the way things have been mismanaged recently does make one feel that anywhere would be better than Defra!

Chairman: Could we conclude, then, with relationships with customers?

Q47 Mrs Moon: Just first picking up on the issue of navigation authorities, Chair, I am interested in the fact that you say there is this conflict between where responsibility lies. If you had to choose to remove one of them, which would you get rid of? Would you make British Waterways the sole navigation authority? Would you make it the Environment Agency? Or do you see some totally new authority? We have a Marine Bill coming talking about a need for total navigation authority for all waterways, including coastal. Would you see it going to a third brand new agency? What is your view?

Mr Fletcher: The Association has not debated that issue as such, so the comments that I make are personal, and I would have to say that the Environment Agency navigation is a very small part of their remit and generally, I get the feeling that it is therefore not a particular major part and it tends to be ignored. That ignoring can be quite helpful if they dump their cuts on to flood defence, which will have an effect on navigation in the long run but it is not an immediate effect on navigation so that is useful. I think the style of management of British Waterways over the last 10 years, while far from perfect from a user perspective, is one which we would welcome being spread elsewhere. There are fundamental differences between inland and estuarial navigations and totally marine navigations, and I think—and this is certainly totally personal; my colleagues may differ in their view—I would favour an inland navigation authority which is based on the present British Waterways but that is a personal view.

Dr Squires: I think one has to really emphasise that distinction between the functions of navigation authorities, because the waterway just outside this House is looked after by a port authority rather than a navigation authority as such. Port authorities work under different rules and have different needs. It could be argued that port authority functions should be restricted to ports and not to the entirety of a whole navigation but the PLA will come back and probably tell you that they only make money in Tilbury and down below the Queen Elizabeth II bridge and the whole of the problems up-river are a liability which they would be pleased to get rid of but nobody would fund it, and this is the problem that we come back to with any authority that is placed in charge of navigations. Navigations in many ways can never pay their way. The Monopolies and Mergers Commission some 15 years ago looked at funding of navigation and they identified navigations inland as being an extensive heritage linear park. You could never expect a linear park to be funded other than by a grant. Whichever authority or multiple authorities look after the navigations, it will come down to the vital factor that this Committee is looking at, the one of funding, and effective, full and proper funding.

Q48 Mrs Moon: I remain concerned because the Environment Agency has functions that cover other aspects of the waterway, which you have acknowledged are a major part of people's use of the waterway. For example, fishermen, the environmental issues, the biodiversity issues are all within the purview of the Environment Agency. I am concerned that what we have perhaps is also some conflicting priorities in terms of the waterways. You have talked a lot about the navigational issues but those navigational issues may not necessarily be the priorities of, say, the fishermen or the walkers.

Mr Fletcher: Nevertheless, British Waterways do manage very successfully a number of rivers. They maybe do not develop their freight potential as much as we would wish but British Waterways also run rivers as well as canals, and do that successfully, and there is the multiplicity of functions that devolve around them and the necessary liaison takes place.

Q49 Mrs Moon: Running them for freight?

Mr Fletcher: Running them both for leisure and for freight, and being concerned as well with flood control and flood management.

Q50 Mrs Moon: I would like to end by questioning the nature of British Waterways' relationship with its customers. I appreciate you can only talk about your own personal experience of them but we have had descriptions of there being an ambivalent relationship, one of serious conflict, some quite negative comments, though, on the other side, some people have said they are good and effective communicators. What is your experience? How do you feel that they deal with their customers and how could that relationship be improved and developed?

Mr Fletcher: I think any large organisation has its problems, and that which is decided at the top does not always percolate down. My background is in the Health Service and I had exactly the same problem with district nurses and district midwives. You can set your policies and it does not always get down, and if they are difficult, then it gets very difficult to manage. That is a problem. I think that British Waterways has changed remarkably during the period of the last chief executive and the current chief executive. Of the last chief executive, I said
“Has the leopard really changed its spots?” and he turned round to me and said, “Judge by results.” There are clearly things that go wrong: nothing in this life is perfect, but it is a very much better organisation than it was. You can always highlight difficulties, and one of the major difficulties that we experience is understanding the contribution which volunteers can make which is positive and the constraints that are on the volunteers and, while we understand the needs for the health and safety constraints, the application of those constraints can sometimes get difficult. There are all sorts of little issues like that, but I do believe fundamentally that British Waterways is a reasonable organisation but always with room for improvement.

Q51 Mrs Moon: Can I say that volunteers and their input into any project is inevitably under-valued, under-estimated and under-acknowledged. It is one of the great failures in this country.

Mr Fletcher: I do not think British Waterways under-acknowledge them, Chairman. It is the practical difficulties of those that are employed and those that are volunteering getting together and make it happen. There is a willingness but the delivery does occasionally lack cohesion.

Q52 Chairman: Gentlemen, what you have said cannot be unsaid, but I thank you for your comments. There may however be things that you would have liked to have said that you would subsequently like to go on the public record, and we are always available to take further written comments if there is something that, following publication, you feel needs to be further amplified. Thank you for coming along.

Mr Fletcher: Thank you Chairman, and I am sure we will take you up on that offer of further written evidence.

Supplementary memorandum submitted by the Inland Waterways Association (BW 27a)

1. The Inland Waterways Association is grateful to the Select Committee for allowing us to give evidence at the start of your Inquiry into British Waterways and for enabling us to contribute at the end of the Inquiry.

2. During our oral evidence we were asked where we would like to see inland waterways located within government. At the time we said—“anywhere but DEFRA”, and we stand by that. While the more junior civil servants have gone the extra mile for waterways it is clear that their seniors, both at ministerial and civil servant level, have not engaged with the needs of British Waterways.

3. There has been much debate on this issue among waterways users in recent months, and we have now concluded that a more appropriate location for waterways would be in any new Department for Communities and Local Government. This would mean strong links with local government and, critically, with other regeneration agencies such as the regional development agencies.

4. IWA believes that the cuts to grant in aid will adversely impact upon the waterways as year on year they bite. We further believe that pressure to increase income will result in a less egalitarian boating community as boating becomes ever more expensive. This is evidenced by British Waterways' proposals (see Press Release 9 May 2007) to let vacant moorings to the highest bidder for a trial period. IWA believes it is of great importance that the waterways remain accessible to all sectors of the community otherwise there is risk of breeding resentment and anti-social behaviour amongst the excluded.

5. IWA rejects the spurious “evidence” of the minister, which we believe to be fatally flawed. A simple examination showed that this extra money came with strings attached as it was linked to property development or Scottish commitments. IWA is alarmed that a minister believes he can try to deflect a Select Committee in this manner. Further, we believe it has been unhelpful that the minister has been less than transparent with the boating community. On more than one occasion he alleged that the cuts of 2006–07 were a one-off, that budgets would be reinstated to former levels and cuts not be repeated, let alone deepened. Now we understand he plans further cuts year-on-year.

6. IWA would reiterate that the meeting with Ed Balls MP, referred to by the minister, was a public event at which IWA’s national chairman, John Fletcher, put his proposals to the Treasury minister, and then followed this up in writing. British Waterways was not involved.

7. The Committee has inquired into the relationship between British Waterways and local authorities, and we understand you have received evidence from a number particularly those who have strong working relationships with BW. Many local authorities fail to engage with their inland waterways and we would contend that they should be a duty on them to restore and improve their waterways. As with central government, local authorities currently need a champion within to ensure canals and river navigations are cared for. Without a champion, the waterways suffer—which is why we believe there should be requirements within the planning regime to ensure that inland waterways issues are taken on board.

Chief Executive
The Inland Waterways Association

May 2007
Memorandum submitted by England’s Regional Development Agencies (BW 30)

EXECUTIVE SUMMARY

1. Regional Development Agencies (RDAs) have a common mission to transform England’s regions through sustainable economic development. British Waterways is able to contribute to this agenda through regeneration of its waterways and adjacent land, as well as through activity relating to tourism, transport and environmental enhancement. RDAs across the country are working with British Waterways on a range of projects both directly and indirectly. The relationship, on the whole, appears to be good but improvements could be made through greater strategic involvement at regional level. The RDAs’ view is that the budget cuts affecting British Waterways have the potential to have a negative impact on the way British Waterways is able to operate and potentially jeopardise regeneration projects which require investment by British Waterways.

ABOUT REGIONAL DEVELOPMENT AGENCIES

2. Regional Development Agencies (RDAs), established in 1999, have a common mission to transform England’s regions through sustainable economic development. They lead the creation of ten-year Regional Economic Strategies (RESs) which are developed in partnership with, and owned by, a wide range of stakeholders across each region and which set the context for economic development and regeneration in the region.

3. RDAs are business-led organisations responding to five statutory objectives:
   — To further economic development and regeneration.
   — To promote business efficiency and competitiveness.
   — To promote employment.
   — To enhance the development and application of skills relevant to employment.
   — To contribute to sustainable development.

They make significant strategic investments directly and deliver substantial funding through their networks of regional, sub-regional and local delivery agents to improve economic performance. In 2005–06 RDAs helped create or safeguard more than 110,000 jobs, assisted over 52,000 people to get a job, helped to create 18,000 businesses and assisted over 166,000 to improve their performance. They levered in over £2,100 million of regeneration infrastructure investment and reclaimed or re-developed over 1,000 hectares of brownfield land in the first six months of the year.

THE RELATIONSHIP WITH BRITISH WATERWAYS

4. RDAs across the country are working with British Waterways on a range of projects both directly and indirectly (through their delegated structures). The relationship tends to be focused around physical regeneration activity, either direct RDA investment in the regeneration of a particular canal or regeneration of British Waterways land adjacent to RDA development schemes, although a range of smaller projects are also underway focusing on tourism, transport and environmental enhancement. Whilst in some regions, there is strategic engagement focused on examining the potential contribution of waterways to regeneration, this is not the case across the entire country.

5. The relationship, on the whole, appears to be good but improvements could be made through a better reflection of regional priorities in the national strategy and through greater strategic involvement at regional level.

Examples of engagement

— AWM is working with British Waterways on a number of strategic land and property projects such as the Walsall Waterfront project, a multi-million pound flagship regeneration scheme aimed at transforming the heart of Walsall Town Centre. AWM’s approval of a key package of funding for the project has enabled the first major phase of construction to start. AWM is also providing joint funding for a range of activity with British Waterways in both an urban and rural context. For example, it is investing in the Droitwich Canal project.

— Emda is in the process of commissioning a study into the economic potential of the inland waterways in the East Midlands in partnership with British Waterways. The study aims to identify areas for partnership working along the waterways and specific projects to contribute to economic development. Emda is already working in partnership with British Waterways on a number of sites such as Foxton Locks (interpretation and access), Chesterfield Canal restoration, Ashby Canal restoration etc.
NWDA is sponsoring the first phase of the Manchester Bury Bolton Canal (MBB) restoration. British Waterways is looking long term to open up the wider MBB to connect the River Irwell with Bolton and Bury Town Centres. The first phase links the River Irwell and passes through a mixed use site which is being developed by a private developer.

One NorthEast and partners are currently undertaking a number of studies to explore the potential of the Teesside White Water Course for tourism, events, renewable energy and sport. The Course is managed by British Waterways alongside Four Seasons.

South West RDA is working with British Waterways on, amongst other things, the regeneration of Gloucester Docks and Gloucester Quays, the latter including a new outlet centre, housing, hotel, a food superstore and other retail and leisure facilities. The Quays site is in close proximity to the city centre and, with the Docks, is a key part of pump priming the regeneration of Gloucester.

CONCLUSION

6. RDAs would ask that the Committee consider the impact of the budget cuts on British Waterways’ ability to deliver and engage with wider regeneration initiatives and the implications this will have on economic development within the regions. The RDAs’ view is that the budget cuts affecting British Waterways have the potential to have a negative impact on the way British Waterways is able to operate and potentially jeopardise regeneration projects which require investment by British Waterways.

England’s Regional Development Agencies

January 2007

Witnesses: Mr Chris Foley, Head of Operations for Gloucestershire, South West RDA, and Mr Steve Holland, Head of Asset Management, England’s Regional Development Agencies, gave evidence.

Q53 Chairman: Gentlemen, welcome. I know there will be some on the Committee who think this is just a Gloucestershire love-in. It may well turn into something of that sort but I welcome Chris, who is very well known to me, and I seem to remember Steve had some previous incarnation but is now a representative of Advantage West Midlands. It is good to have you both here and, without more ado, you know what we are here to do. We are looking at a very apposite time at the situation facing British Waterways but also looking slightly wider afield at the implications of the canal network and the inland ports on what we might be able to do in terms of regeneration. I could be wicked and ask you which of the five objectives of the RDAs you think your projects that they have in mind and some of your synergies that may exist between some of the canal BW but I will not. Rather, I will start positively and say, from your own experiences, where is the relationship at its strongest with BW and where do you think is a need for improvement?

Mr Foley: I think probably from our perspective—and I speak primarily from the South West RDA’s perspective but having had at least brief conversations with other colleagues and the national secretariat—that it is probably at the individual project level that it is at its best. However, with all of these things it is very much a mixed situation, a curate’s egg, if you like. You referred to some of the Gloucestershire schemes and my understanding, say, of the Cotswold Canals project is that that started off with British Waterways being perhaps more reluctant there because it was not part of the national network but they have obviously moved over a period of time and become a major funder and at the centre of driving that scheme forward with other partners. In terms of where things might be better, for an organisation, like a number of organisations, which have had regeneration added to their aims and objectives, as it were, at different times, that is evident at various levels but not always consistently, and trying to decide how important it is and where it applies would be beneficial, I think, but also I think looking at funding regimes that go with that, because that seems to us to be an area where BW is hindered by the way it is structured and financed.

Mr Holland: I have very similar comments really, Chairman; from a project officer level very similar. I am not sure if it is an advantage or not that the new regional director of the West Midlands is one of our former employees, so there is obviously a longstanding relationship there. As Chris said, on a case officer by case officer basis, it works very well. As with everything, with a lot of organisations, the further up the tree it goes, sometimes the more disparate the relationship becomes but I generally do not believe we have that problem where we are in West Midlands at the moment.

Q54 Chairman: Can you just give me a feel for what discussions take place at a strategic level? Obviously, I know in my own patch what is happening at the grass roots but I would be interested to know in terms of both RDAs whether you have regular meetings of a strategic type with BW management, so that you look at potential synergies that may exist between some of the canal projects that they have in mind and some of your land ownership. I could talk about my own experiences but I would just like to look at some of the things a bit higher up the levels of operation.

Mr Foley: My experience is that there is discussion at general manager level for the area, so in terms of Gloucester and the general manager who is there, I am in contact with him on a quarterly or six-monthly basis and there is quite a good rapport and
understanding there but I am not aware of any higher-level contact. That may be, as I say, because I am not aware of them taking place at chief executive level or that type of thing. I am certainly not aware of anything that takes place on a regular basis.

Q55 Chairman: Is that a weakness? Is that something that you should be aware of? We have established in the previous session that a figure of £1 billion could be put on the asset base of BW. That may be a gross exaggeration or it may in fact be an under-estimate but that is pretty important, certainly in some parts of both of your RDA regions. Does that not need some strategic direction?

Mr Foley: The answer to that has to be yes because, in the same way that we meet with other organisations at a high level, it would be useful to be doing that within BW but, as I say, I do have to say that from my particular position within the organisation, I am not aware of it taking place. That may be a failure on our side but equally, it may be that it does not happen anyway.

Mr Holland: I am aware that our chief executive does meet with BW’s regional director but how often does take place I genuinely do not know. We have an awful lot of projects going on with British Waterways. I think they have been very much consumed locally, particularly with the budget cuts, as a result of the closure of the Birmingham office. So I think maybe what has happened in the past has not happened recently to reflect really the current position.

Q56 Mr Jack: I think it would be helpful if, through whatever network the RDAs co-ordinate their activities, to ask this question: how many RDAs have a canal strategy? Is it printed, is there a document or something that one could look at by RDA that says “This is our plan, our strategy agreed with BW”? The message I am getting from both of you is that, whilst there is almost a project by project, day by day form of contact, there is not a document that you could produce and say “Here you are, this is our canal strategy.”

Mr Holland: I think it is interesting. One of the potential problems might be, certainly taking our patch, the West Midlands, we have a number of projects going on with them in Birmingham, so would it go with the Birmingham strategy or the Coventry strategy or the Stoke-on-Trent strategy? I am sure there could be one canal point of reference document.

Q57 Mr Jack: Looking at the North West development agency, they have a strategy for leisure and tourism, they have one for transport, they have one for the environment, which would cut across all of those areas and would incorporate within them elements of strategic analysis, if it were to be the case, where canals would fit in. Are you saying that you have a geographic strategic approach in the West Midlands that makes incorporating a canal strategy difficult?

Mr Holland: No, I am sorry. The point I am trying to make is that a number of our projects, say, there could be funding a project adjacent to a canal and it is a question of whether you would consider that to be a canal-side project or would your canal-side project be an upgrading of a canal? It is almost questioning the level of detail that you would want to go into. It is almost if “canal,” is in the title that would pull up a whole host of projects whereas if you are purely interested in us upgrading canals rather than, say, gap-funding schemes adjacent to canals, if you want the whole thing combined, that is fine. I think that could be pulled together.

Q58 Mr Jack: I suppose what I am interested in is—and you pose the question but if you are establishing a working relationship between British Waterways and the RDA, it should be for that joint group discussion, whatever, to determine what is in the interests of both organisations. I am not getting the feel that that kind of strategic welding together of mutual interest is taking place.

Mr Holland: I generally do not disagree with you.

Q59 David Lepper: British Waterways has a number of different functions. It manages the network, it is the steward of the canals, it is a property developer, it promotes leisure and freight use of the waterways and it has responsibilities for regeneration and restoration work. Does it have too many functions it is responsible for, and do some of the others get in the way of their contribution to regeneration work at times, from your experience?

Mr Foley: Whether it has too many is not something that I am qualified to talk about but in terms of how we perceive the organisation, looking at it through a regeneration perspective approach, it is like other organisations whose prime objective is not regeneration. Inevitably, their core, if you can look at it that way, their higher, overriding purpose means that they do not always focus on regeneration as one would like them to do, and I think that there are certainly tensions there. Clearly, their own strategies and so on emphasise their commitment to that, so I do not think that is there. I think it is the way it is interpreted and then passed down the system, as it were, and how a thing comes out, and perhaps as much as anything, particularly at the present time, where the pressures are, because they obviously have a network that they have to maintain, and both staff resources and financial, I think our experience perhaps collectively is that with property, as a key asset in regeneration, they are looking to see what they can make from that and put that towards helping the operational side, because it is inevitably under pressure, as perhaps the first call sometimes—not always but sometimes—when we are coming at it from a different thing that is much more about the longer term and perhaps requires a different form of risk-taking as well. It is a different mindset as much as anything else.
Q60 David Lepper: So the current financial pressures on British Waterways may lead to them making some decisions, particularly as property owners and developers, on a short-term basis rather than thinking strategically, as you would hope they would, in terms of the regeneration of an area?

Mr Foley: Yes.

Q61 David Lepper: Could you give us an example or two, if you are aware of any, where the tensions between the different roles of British Waterways have had a negative effect on a particular regeneration project or scheme?

Mr Foley: Looking back, certainly with the Cotswold Canal, where my understanding is that there it took a lot of discussions over a long period of time to get BW to be prepared to put money into that scheme. My understanding is that initially they were not proposing to put any capital into that particular scheme because it was not seen as a key part of the network, and it took, as I say, a period of time and discussion to get them to change their minds. What the factors were behind that I do not know.

Mr Holland: I do think the current financial arrangements have had quite an impact personally. Droitwich Canal is a good one where the agency agreed to fund £3 million towards the cost of the works. It took us nearly 18 months to agree the milestones and outputs that we were going to get. It took an awfully long time. Within the business at the moment there are an awful lot of divisions in terms of business divisions. I had a meeting last week with them, thinking it was going to be a one-to-one, and somebody from Footpaths turned up, and somebody from Bridges turned up, and somebody from Estates turned up. Very many people come along from different parts of the organisation. The biggest thing that we seem to find locally at the moment is, due to the current funding situation within BW, there is a huge inability to be able to absorb project development fees, for want of a better expression. You have to speculate to accumulate but, because there is such a tight purse string drawn on the resources, those funds do not seem to be available, and the strategy that appears to be being adopted in some parts of our patch is very much “We can only look at short-term projects in terms of short-term revenue generation,” rather than ideally what we would like to be looking at of comprehensive redevelopment of some of these canal-side locations over the next five to 10 years.

Q62 David Lepper: As well as financial pressures, can I come back to the first question which I asked about the multiplicity of functions and roles of British Waterways? Is there any one of those functions which you feel would be better carried out by some other organisation, existing or to be dreamt up, particularly with the financial pressures on them? Should Defra be taking something away from them and putting it somewhere else?

Mr Holland: I do not know if ISIS has come into the equation. That would be quite interesting. It either has or has not worked in terms of that relationship with British Waterways and in terms of bringing some of those sites out of their portfolio and putting them into the other pot. I am not sure if that has come out of your discussions.

Q63 David Lepper: Just remind us: ISIS, as a partner organisation and arm, has existed for how long?

Mr Holland: Four years.

Q64 Sir Peter Soulsby: If I could follow on your answer to David Lepper’s question about the impact of the funding reductions and the grant reductions from Defra, you have perhaps to some extent answered the question, but what are the impacts that are being noticed by those who are having to work in partnership with BW? Is it just the short-term nature of their thinking as a result of it or are there other aspects as well?

Mr Holland: The really big impacts I do not think will be felt for quite a long time. I really think the impact is going to be very much in the long term, not the short term. We are also seeing short-term impacts now but the actual impact of the cuts will be longer term.

Q65 Sir Peter Soulsby: What do you fear?

Mr Holland: We are having issues at the moment where they just do not have the resource to develop projects. That is a big issue.

Q66 Chairman: Is that existing projects or is that new, potential projects?

Mr Holland: I think it is both, Chairman, which I think is a great concern to all of us, obviously particularly to them. Long-term maintenance, big-ticket items of maintenance will obviously be of concern to them; certainly locally, the restructuring, they have been very keen to deal with it. There has been a big restructuring, 50 posts were lost, I think it was a £2 million saving a year. They are looking to put that sort of cash into projects/works on the canal. I think the issue is, with the sort of cuts that are there, they are going to struggle to maintain the standards that they have built at the moment.

Q67 Sir Peter Soulsby: Do you think this argues for some different financial framework for British Waterways?

Mr Foley: I think certainly a clarification would be helpful in terms of perhaps differentiating between the operational side, which has its own set of day-by-day pressures, and the regeneration and the development side, which is a different kettle of fish. As we have said already, it is much more about a longer term, 10-20 year horizon on these things. We all know how long major projects take to get themselves to a point when they actually start to come on site and start digging, as it were, and it does require that long lead-in, and it requires, I think, pump-priming money in terms of the initial...
things that Steve has just been talking about, the feasibility money, if you like, and certainly that is something that we have put into a number of schemes, and quite significant amounts. I think we put in—and I am not quite sure of the precise figure—something in the order of over half a million pounds or so into feasibility work on Cotswold Canal over a fairly lengthy period of time but, as I am sure you are all well aware, on major bits it is fairly easy to run up those sorts of figures, and quite justifiable to do so in order to be able to be clear about what you are getting into, what the risks are, how you mitigate those risks, and how you can deal with the 101 issues that are implicit within that type of development. I think having something within BW that says, “This is an area we can call on for that funding.” and not feeling that it is always being pulled into the other areas, particularly where you get the budget cuts, as we do now, would have to be helpful.

Q68 Sir Peter Soulsby: It does strike me that the sort of things you have been talking about as being important that BW is resourced and able to sort of things you have been talking about as being important that BW is resourced and able to be effectively engaged in have little to do with the core responsibilities of its parent Department, as it is at the moment. Is that a fair observation?

Mr Foley: I suppose one could look and say “Where does it best sit?” I am not sure, again, the I am best suited to answer that particular question.

Q69 Sir Peter Soulsby: It is true, is it not? The regeneration issues you have been talking about really are not central to the concerns of Defra.

Mr Foley: Yes, I think that is probably correct.

Q70 Mr Jack: You have expressed concern about the impact that the cuts could have on the effectiveness and development potential of projects coming from British Waterways and therefore it will have an impact on what you, as bodies concerned, amongst other things, with regeneration can achieve. Given that is a problem, have you made representations to Defra about this, or to the DTI?

Mr Holland: Certainly locally we are trying to address it with management. Whether a formal approach has been made to our governing Department or not, I genuinely do not know.

Q71 Mr Jack: So the answer is you do not know?

Mr Holland: I personally do not know.

Mr Foley: No.

Q72 Mr Jack: Is there any way you can find out?

You have communicated to us in your evidence; you have said the grant reductions have the potential to have a negative impact on the way that British Waterways is able to operate and potentially jeopardise projects which require investment by British Waterways. Some of those, you have just given a clear exposition, have a regenerative effect in the areas that you respectively represent. I would have thought it was worthwhile making a bit of noise about that, was it not?

Mr Holland: As I say, a lot of this has happened quite recently. Whether we have collectively been giving it a period of months to settle down, I genuinely do not know but we can certainly find out and ask the question.

Q73 Chairman: In a way, this whole area of regeneration is a four-way partnership between yourselves, BW, local authorities, and indeed the private sector. I think we would be quite interested to know what noise is coming from yourselves but to some extent you are also going to be having the ear of the private sector, because if the private sector has decided it is to prepare to put some serious money into canal redevelopment, or rather canal-side redevelopment, it stands to catch an early cold if there is either delay or shortfall in the public sector commitment. If, as Michael says, you know of or could put your finger on what sort of noises are coming loud and clear from either yourselves or the private sector, we would like to hear that. I have not been overwhelmed yet by the private sector saying this is a disaster area because of the public sector not keeping to its earlier commitment.

Mr Holland: Certainly, if you look at some of our bigger areas, Birmingham, Coventry, a lot of the people British Waterways have got on the ground in terms of dealing with private sector development schemes coming forward are very, very commercial. They certainly drive the hardest bargain possible for British Waterways in terms of securing their pound of flesh, for want of a better expression. I think the problem is it may be more of an impact on us, on some regeneration-type schemes where we are tending to take a relatively longer-term view, maybe 5-10-year term projects, which a lot of these projects take to deal with the London Assembly, driving them forward. It is that sort of up-front potential delay. I think that is more where we are concerned, rather than some private sector developers who have schemes on the ground, ready to go chase adjacent to the canal with BW because they know they are going to get cash out of that pretty quickly, they would put resource on to that.

Q74 Mrs Moon: I am intrigued by the tensions between British Waterways and local authorities that we have had fed to us in some of the responses that we have had, where some people feel that British Waterways will push forward developments that are not necessarily in the interests of local people. Equally, there are those that say British Waterways tries to engage with local planning authorities and the local planning authorities do not understand the needs of British Waterways. Local authorities have a multiple set of needs and aspirations for its local people to meet, many of which are reflected in the myriad of uses that British Waterways has, including the walkers, the anglers, the boat owners, the property developers, the housing needs of the local authority, the
environmental groups, all of those. What is your view of that dynamic? Do you see it as a positive, two-way communication or is there just no understanding about the responsibilities and pressures of each other?

**Mr Foley:** I think it is very variable, that in some areas, on some schemes, if you like, there has been excellent working and certainly what we, as RDAs across England have found in terms of preparing for this is that there are some very good examples of working with the local authority and it has worked extremely well. Equally, there are comments that have come back that have said how it has been dire, and that reflects what I was saying earlier on, that so much depends on who you get and where you are. Some things work very well; other things do not work as well as you would like to see them go.

**Q75 Mrs Moon:** But is that dire relationship in those local authorities where we already know there is a dire planning department or is it that you can get a really good planning department that just cannot have a constructive relationship with British Waterways? Where is the problem coming from?

**Mr Foley:** I think the comments that I was getting were that BW is good in places but not right across the board, and again, that is no different to many organisations, I guess. I have not looked at it from the point of view of was this a local authority that was good or bad, as it were, in planning or any other function.

**Q76 Mrs Moon:** So you feel that the communication breakdown comes from British Waterways in some regions?

**Mr Foley:** No, I am only saying that I have only looked at the question of how does BW get on with it, not the other way round to see whether or not fault might be apportioned to the local authorities or whether they were poorly performing or whatever. We did not look at it like that.

**Mr Holland:** Again, as always, it depends on who you are dealing with within any organisation, both planners and British Waterways. British Waterways have a finite asset base. They need to maximise the money they can generate from their assets. That will often put them in conflict with some local authorities, both public sector organisations working together but BW have to maximise the value from that asset, which may often be at odds with what the local planning authority want to see developed as part of that sort of scheme.

**Q77 Mrs Moon:** Equally, the local planning authority may be having pressures from organisations who are involved in heritage and do not want an old site to be developed or may want aspects, as we heard previously, of that site to be conserved. Equally, you might have a local opposition group who do not want further development in that area, or indeed the leisure services department might have a utilisation that they want. I just wonder whether or not there is an understanding between the two that perhaps their perspective on a planning application might not necessarily be as simple and as obvious on both sides.

**Mr Holland:** With every single development project there are always going to be those who want it and those who do not. It would not matter whether it was British Waterways as the land owner, it could be us as the RDA, it could be a private sector development partner. Those frustrations will always be there, I am afraid.

**Mr Foley:** I could understand that BW, with fixed assets, fixed location, it is not like a private sector organisation that can pick and choose where it may buy its asset or just put it back on the market and say “I could not make that work. I will get rid of it and look for something that is in a better location.” It has the hand of cards that it has been dealt, as it were, which inevitably means it will have some quite difficult things and will quite often perhaps find that it is running up against other policy. Again, perhaps more from the RDAs’ perspective than the local authority point that you were making, we are certainly keen to work with the grain of the things that you were talking about, particularly the heritage point. That, after all, is one of the key aspects quite often of these developments and something that makes it worthwhile going into. In Gloucester, for example, one of the key aspects there is supporting heritage, working to bring it back, because quite often that heritage is in a pretty ruinous state. On the one hand, that comes quite often with a very high price tag but it does mean that you have not then got, as it were, a street that could be anywhere. It does at least reflect and be something that is local, so we would hope to be able to do those things but it does, for all of us, put the price tag up.

**Q78 Mrs Moon:** Waterways also go through quite a large area of countryside and there are a whole other set of tensions there from farmers, the environmental lobby, as well as the fisherman and the walkers and the bird watchers and what-have-you. Those are added tensions.

**Mr Foley:** I suppose they are tensions but they are opportunities as well, in that you can try to find that common ground so that all parties can hopefully benefit from these things. Finding that common ground may be pretty difficult at times; I certainly do not deny that but it does have that opportunity, I think.

**Q79 Mrs Moon:** Is British Waterways good at finding that common ground?

**Mr Foley:** I would come back to what I said before, that it is variable. In some instances I think they have done an excellent job. In others, it has not been as good because the focus has not been there or the word has not come down and said that is important and therefore we need to spend that extra time, go that extra mile, because it is a long-term thing and it does take time. It takes time to establish relationships, to gain trust, and quite often all of us find that that difficulty of being able to sit down and communicate
Chairman: Gentlemen, you heard what I said earlier. What you have said cannot be unsaid. It is on the public record. I know we have sought some additional information from you: Mr Jack’s point about whether there is some level of discussions further up the chain, and I also asked about the issue of noise from the private sector as well as RDAs on the current state of cuts which Defra have imposed on BW. It would be useful to get that information in a written form so that we can include it as part of the inquiry. Can I thank you for coming.

Supplementary memorandum submitted by England’s Regional Development Agencies (BW 30a)

I am writing in response to your letter dated 27 February regarding two additional questions in relation to the EFRA Select Committee Inquiry into British Waterways. You asked RDAs to provide further information about (a) any official communication between RDAs and the Government about the impact of grant reductions on British Waterways’ work, and any concerns expressed by the RDAs about these reductions; and (b) any official communication between the private sector and the Government about the impact of grant reductions on British Waterways’ work, and any concerns expressed by the private sector about these reductions.

There has been no official direct communication, either collectively or individually, between RDAs and the Government about the impact of grant reductions on British Waterways’ work. We are also not aware of any official communication between the private sector and the Government, although, of course, we would not necessarily expect to be privy to such information.

EEDA on behalf of England’s RDAs.

April 2007

Witness: Mr Bill Schlegel, Chairman of the Maritime Board, Institution of Civil Engineers, gave evidence.

Q80 Chairman: Mr Schlegel has kindly come along from the Institution of Civil Engineers, for which we are eternally grateful because we did want some technical expertise. As you were Technical Director of BW for five years and you were employed there for 18 years, at least you have some guilt if things are not as good as they should be and, although we are going to pick your engineering expertise, there may be some things that we will take up where things were not as good as they might have been, and you cannot possibly escape completely. If I can start with some questions on, to paraphrase Mr Jack’s appraisal of the legacy issues with regard to what BW’s situation is in terms of its need to deal with its problems over the state of the canal network, he basically said they are what you could refer to as good, bad and indifferent. What is your overall appraisal of the situation the canal network is now in and, on the back of that, has BW been a good guardian of that network?

Mr Schlegel: I think it is fair to say the waterways are in better condition than they have been for many, many years. The Millennium funding and, I will not say generous but sufficient grant in aid over the last 10 years has brought the waterways into better condition than they have been. They have only recently completed the repair of safety-related arrears of maintenance dating back for many years. I recall in the IWA’s presentation they talked about consulting engineers looking at the state of the asset. That was actually done by eminent consulting engineers not long after British Waterways was formed, in the late Sixties, early Seventies, and that identified a very significant backlog of maintenance and that was completed, I understand, in about 2004.

Q81 Chairman: Can you put a figure on what the backlog of maintenance is?

Mr Schlegel: There are statutory arrears currently of £100 million.

Q82 Chairman: Is that a real figure?

Mr Schlegel: That is a real figure and that, I believe, is the number that has been quoted in British Waterways’ statements. Their intention is to reduce that or to wipe that out by 2012, and inevitably the reduction in funding will slow that down. I have not heard from British Waterways in terms of what they think that will do in terms of achieving that target.

Q83 Mr Jack: What do you get for this £100 million? Can you break it down for us? Give us a flavour of what are the big areas of spending.

Mr Schlegel: There will be a number of assets and British Waterways has many principal assets, ranging from locks and bridges; I think they have
Q84 Chairman: I know very well, yes. Do not remind me.

Mr Schlegel: They have many, many arched bridges, which are somewhat more forgiving. They have some very famous assets, like the Pontcysyllte Aqueduct in Wales and the like, and all of these need considerable attention, but they do deteriorate; they are more than 200 years old and the figure of the safety-related assets was those that were critical at the time when the review was done. In the Eighties it was looked at as being could British Waterways be self-sufficient, could it be privatised in the same way as water companies were? It was seen that that very significant liability would prevent such a thing. There is the maintenance of the assets that needs to be done, but one of the things that has not been mentioned today is the simple maintenance on a day-to-day basis: the dredging, the grass cutting—there are 2,000 miles of waterway, which means 4,000 miles of boundaries to maintain. That is a huge asset to maintain and, as the waterways have improved, the expectation about standards of maintenance have risen with that. Local authorities, which have been mentioned more than twice already this afternoon, do not maintain the waterway networks. It all falls to British Waterways, and the growing expectations of the people who have bought properties alongside the waterways is that it will be maintained to a higher standard than perhaps it was in the Sixties and Seventies. There is a two-edged sword with this growth and expectation: it does bring a raised expectation.

Q85 Chairman: Can I ask you a question I am always interested in: I know a bit about the nuclear industry; sadly, I also know a bit about the railways. They have definitive engineering bases, in the sense that people would refer to themselves as a nuclear engineer or a railway engineer. Is there a person that you would refer to as a waterways engineer, structural engineer and indeed reservoirs and flood management before coming into waterways. I had previously worked in structural engineering and indeed reservoirs and flood management before coming into waterways. I enjoyed it for quite a bit of time but then went back to flood management. So people do come and go but there is a long tradition and a long understanding of the technical engineering needs of the waterways.

Q86 Chairman: Is there a surplus of people in the industry, is there a deficit or is there a steady state? You can get the right people to do the right jobs, particularly with all this regeneration work; engineers who have an understanding of the waterways do exist and can be created.

Mr Schlegel: Generally, the civil engineering profession has a deficit in the broadest sense. In waterway engineering, provided there is good leadership, we can train good waterway engineers in a relatively short period of time.

Q87 Chairman: So when someone has done a civil engineering degree, you can take people on and they can become waterways engineers reasonably quickly?

Mr Schlegel: We can indeed, reasonably quickly, and in fact, British Waterways have out-sourced a considerable amount of their work to eminent consulting engineers, who are having to grow that talent within their organisations to be able to service British Waterways’ needs.

Q88 Chairman: One of the accusations is that that is a weakness of BW because it is a very expensive way of doing it. Again, there are parallels with the nuclear industry, that if you contract out, it may seem the best solution at the time but it can become an expensive solution in the long run. Is that a fair accusation?

Mr Schlegel: I think there is always a risk, and I think Network Rail was a prime example of out-sourcing the management of risk. The employing organisations need to be very clear-minded as to what they can out-source; what they cannot. That management of risk is fundamental and remains with the organisation.

Q89 Mr Jack: If and when British Waterways come before us, should we expect them to be able to give us some kind of definitive list in order of priority of what constitutes the projects that are within this £100 million current backlog which has to be sorted out by 2012? I am interested in the consequences of shifting that work time-wise to the right but I am not clear in my mind, with the universe of our 2,000 miles of canals, where all these projects are and what they do. Should British Waterways be able to provide such a definitive and objectively cast list?

Mr Schlegel: I think they should be able to. They were well advanced in asset management in the last number of years and I would believe that they would have a populated list of assets that require maintenance.

Mr Jack: Perhaps we could ask for it.

Q90 David Lepper: Mr Schlegel, you began by saying that the waterways are in a better state than they have been for many years. That is good to hear, but we have also talked about the backlog of work to be done. British Waterways tell us in their evidence that the reduced grant levels in 2006–07 and 2007–08 will result in about £5–£10 million of major work not being undertaken. They hope that that will only be of short-term significance but they warn that if not, it could in the long term build up to a significant under-spend on major works. Do you share that assessment of what the last couple of rounds of cuts
have meant for them? Do they have sufficient funds to undertake the work that is necessary simply to maintain the network?

**Mr Schlegel:** Without a detailed understanding of their current asset management plan, I could not answer that question precisely. I think inevitably cuts of £7–£10 million, whilst significant, are not catastrophic, provided it is not long-lasting. I do not think anyone has the understanding as to what happens by 2008–09, and I think if these cuts are going to continue, inevitably there will be an effect.

**Q91 David Lepper:** We have the Comprehensive Spending Review coming up. Maybe there will be some good news for British Waterways in that. We will have to wait and see.

**Mr Schlegel:** Just doing a very simple calculation with the time I had on my hands during the other evidence, the 2012 figure would seem to me to slip to at least 2014.

**Q92 David Lepper:** The point at which they become largely self-sufficient?

**Mr Schlegel:** Yes, 2014–15. That is an educated guess. As I have said already, I do not have sight of the detailed asset management plan, nor would you expect me to have.

**Q93 David Lepper:** Is that slippage of two to four years on the assumption of a continuing reduction in grant?

**Mr Schlegel:** No, that is an assumption that it gets no worse.

**Q94 David Lepper:** So real problems?

**Mr Schlegel:** Real problems if the cuts continue to erode.

**Q95 David Lepper:** Do you see any immediate signs of the impact that those cuts are having, looking back at the state of the system as you left it and as it is now?

**Mr Schlegel:** No, I think it is too early. If you were to go back, say, 15 years, there was a very regular occurrence of—I would not describe them as catastrophic failures but failures, and they happened with great frequency. It is now something of a surprise when something falls down, which I think is not quite where it needs to be, because it should be a shock, but the asset is in much better condition than it was. I can remember a number of years back the Monmouthshire & Brecon Canal in Wales being washed down the hillside regularly, some of the canals filling embankments being washed away, minor bridges being suddenly closed because of concerns about structural safety and the like, and it was very much a hand-to-mouth situation. That is not the situation currently but it could go back to that if the funding levels are not appropriate.

**Q96 David Lepper:** So there is a bit of a buffer at the moment?

**Mr Schlegel:** Yes, what you have had is good base-level grant but you have also had what was described as Millennium spend, significant spend from Heritage Lottery Fund, Millennium Fund, and the like from about 1995 onwards. There was also European regional development funds, and that has brought many of the assets into reasonable condition.

**Q97 Chairman:** Can you just give us a feel for what I see as the equivalent of checking the points, which is a very moot issue at the moment? I had the opportunity to go over Pontycysyllte 18 months ago and that is an impressive structure. Who has to literally get up there and make sure that, after 200 years, it is not literally one day going to start crumbling?

**Mr Schlegel:** British Waterways have an asset inspection process. All principal assets are subject to a principal inspection on a regular basis but also there are monthly and regular weekly inspections by the lengthsman on a local basis, who is trained to observe change. It is very similar to the rail industry. The rail industry have their permanent way inspections under way, where they will walk the line and check for change, and the level of detail of that inspection goes up with frequency, of course.

**Q98 Mrs Moon:** Can I just check for myself? You talked about the £100 million that was needed in work that was outstanding. Is that in areas of the network that are currently in use or is that also looking at expansion of the network?

**Mr Schlegel:** No, that is purely in the network that is in use.

**Q99 Mrs Moon:** So there is no money in there allowing for expansion?

**Mr Schlegel:** No, as I understand it, not.

**Q100 Mr Jack:** You will have gathered from our earlier line of questioning that we see leisure as an important opportunity for British Waterways to further develop its revenue streams but, from the engineering point of view, what are the barriers to progress in exploiting the further leisure potential of the canal system?

**Mr Schlegel:** I suppose capacity would have to be an issue, in that the canal network is a linear network and, in terms of boat usage, it does not have an endless capacity potential. The waterways, as they were developed, the lock structures inevitably became a bottleneck for boat movement, so there is not an endless growth in the numbers of boats that will be able to transit up and down the waterway. I think on the towpath and the built heritage aspects the thing that is likely to curtail growth will just be capacity issues and whether people still enjoy it or not. People will go to the waterways in many cases for the relative peace and quiet, so I think it will be driven more by the levels of enjoyment people have but, on a technical basis, I think it will be one of simple capacity.
Q101 Mr Jack: Do you recall anybody ever doing a study that said, “Well, here are the most popular canal routes, this is where we are at the moment in terms of capacity and therefore this is what we think the potential is”?

Mr Schlegel: I think the Inland Waterways Amenities Advisory Council has done work on that over the years. There are honey pots around the network, areas of the network which are very busy. They tend to be in the South and South West and increasingly in the North West but there are many areas, as was mentioned already by IWA, in and around Birmingham and the Black Country. The North East waterways are significantly under-utilised and, of course, these areas also are often less attractive and perhaps offer regenerative opportunities as well as capacity potential.

Q102 Mr Jack: In your earlier comments you said that the asset was in a much better state but the Committee has received evidence from a company called Shire Cruisers, who comment that small-scale, unexpected maintenance problems can disrupt the smooth passage of their customers and that that acts as a real constraint on the leisure and pleasure developments. That is a small-scale but important aspect of the engineering side. Is that a problem that you recognise? Can you help us to understand in quantity terms whether it is serious, annoying or irritating, and are the kind of cuts that we have seen going to make that frequency greater and therefore with a downside effect on the leisure development?

Mr Schlegel: I think the nature of the cuts, as has been described, tend to be perhaps most easily achieved by cutting capital programmes. As I said earlier, my other concern is that low-level maintenance activities will also be affected. I mentioned very broadly the simple maintenance tasks but things like lock gates, moving bridges. If the moving bridges are not maintained well—and this does happen—they get opened and they stick. For whatever reason, there is a failure, mechanical or otherwise, and not only is the road user significantly inconvenienced but the leisure user as well.

Q103 Mr Jack: Let us move into the freight area. In the same way, to help us understand the constraints on freight development, you heard us discussing earlier some of the problems of realising the potential, but again, looking from your point of view as an engineer, did you find during your time at British Waterways being frustrated by saying there is real potential here for daily regular freight movement to achieve the much-vaunted wish to get things off the road on to the canal, and then saying but we are missing the engineering, the physical assets to do it?

Mr Schlegel: I have to say it was generally the frustration of there not being the opportunity for freight development, that the funding packages, the investment requirement by the potential freight company was often labelled by whether or not this was a goal or whether or not they were actually looking at road or rail as the alternatives. We have heard about the freight facilities grant. That has only relatively recently become available for waterway investment. It was primarily created for rail freight investment. There are specific opportunities that have been spoken about today about the Olympics, which is a rather special scenario. Generally speaking, when freight opportunities have been looked at, they have been looked at in the light of existing infrastructure.

Q104 Mr Jack: The reason I ask that question is that, looking at the canal network, by and large, with perhaps some exceptions in South Yorkshire, by modern standards, as a layman in these matters, I might say the opportunity must, by definition, be limited, because our canals are narrow in comparison with continental waterways, which, as I think the early evidence illustrated, a 2,000-tonne movement was the optimum. I cannot think of any canals, perhaps apart from South Yorkshire, where you could get a 2,000 tonne unit on to it.

Mr Schlegel: It is just not feasible at all without constructing a new waterway, because it would not be the existing waterways. The existing waterways are special, they are unique, they have a heritage and an environmental importance that would prevail against complete redevelopment of the existing system.

Q105 Mr Jack: Being realistic, apart from special circumstances like the Olympics or where waterways have been particularly developed for freight, is it a bit of an illusion? Is it one of these things that people like to talk about but in strict, physical terms it is not a real runner? We should be concentrating on people enjoying themselves as opposed to the mythical idea that we can move things around and make huge improvements.

Mr Schlegel: Yes.

Q106 Chairman: What about the movement of waste? This is something that BW in particular have spent some quite serious resources looking at.

Mr Schlegel: There are specific opportunities at Sharpness, on the River Lee and on the Thames where the waterway exists. The thing about freight movement that people have to understand is that it is not sufficient for the point of production and the point of consumption to be linked by the means of transportation. For it to be efficient, there has to be a limited amount of handling and if there is any double handling coming into it, in relatively short distances—and I have to say this is a small country in freight terms; we are not transporting thousands of miles—if double handling comes into it at any stage it becomes a problem and the economics kill it. But if you have, for example, on waste, a collection centre, a handling centre which is beside a waterway and a disposal point which is beside a waterway, there is no double handling; you have overcome those issues, but those opportunities are quite rare.

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Q107 Chairman: What about bio-energy?
Mr Schlegel: Bio-energy is related to waste all related to the production of bio-fuels. If that is a potential, then again, it comes back to the point of production and the point of consumption being linked by the transit medium.

Q108 Chairman: Is the point that you have to plan these from the inception of the project rather than think “And, by the way, wouldn’t it be nice if we could move this by water?” which may be coastal shipping.
Mr Schlegel: Absolutely. Coastal shipping has more potential. You appreciate I sit as Chair of the Maritime Panel of the Institution of Civil Engineers and coastal shipping is very topical.

Q109 Chairman: Is it your experience that it is happening now or is the coastal shipping/inland waterways element an afterthought?
Mr Schlegel: I think in this country there is not a culture at this period in time of thinking first about the waterway as a means of transport. I think the first thing that is looked at when major developments are being considered is the availability of the site and the planning potential, i.e. will the site get planning consent and then the transport-related aspects will follow on and there will generally be a presumption to road first, rail second and waterway third.

Q110 Chairman: But there is a number that could be brought forward in terms of a mile of motorway, a mile of railway, a mile of waterway, and you can do some comparisons, some cost benefit analyses?
Mr Schlegel: A very simple analysis that is generally quoted is that rail is three times more efficient than road and water is three times more efficient than rail in energy terms.

Q111 Chairman: Those are serious numbers if somebody wants to grapple with it.
Mr Schlegel: Yes, but again, all those numbers are overcome if there is double handling involved.

Q112 Mrs Moon: You said in terms of expansion of leisure use that capacity was an issue.
Mr Schlegel: Sorry; it could be an issue, yes.

Q113 Mrs Moon: But throughout the evidence we have heard today the focus very much seems to have been on the canals and their boating use, but equally, we have heard from IWA and from evidence that we have received that a lot of use of canals comes from other interest groups. You have the fishermen, the walkers, the cyclists, you have the environmental issues as well as the property owners and the farmers who are alongside. If we are facing these cuts, and you say there is a £100 million backlog, given how much of the income for British Waterways comes from Defra, which has huge responsibilities in terms of farming and environment, do you see British Waterways being forced to look at cutting these other areas of leisure use and other interest groups to focus on the boating needs and the maintenance of the boating facilities on its network, or do you see them failing to meet every person’s need by doing a little bit here and a little bit there? Where do you see the pressures really coming from?
Mr Schlegel: I think the pressures inevitably come, first of all, at a political level, so the better organised political groups, for example, IWA, who will forgive me, I hope, for saying this but by and large represent the boating population, will tend to focus on boating-related problems. If a lock is closed because of a maintenance issue then they are likely to raise concerns on that. If a towpath is closed because there has been a structural failure of an embankment or a cutting which affects it, that is likely to be a very local issue and require a diversion path to be arranged and so on, and it will be somewhat lower on the political agenda. British Waterways, being publicly funded, inevitably has to respond to political pressures. If cuts were to continue for a period of time beyond anything that we are seeing at the moment, i.e. where you have real and continuous degradation of the asset, which we saw during the Sixties and Seventies, certainly on the remainder waterways, where they were tasked with doing as little as possible and purely in the interests of safety, water levels were reduced in the canals, structures were propped up on a temporary basis, the whole amenity of the waterway became reduced and many of the waterways declined to the stage where they were derelict or semi-derelict and they have become of interest to no-one really and are little visited.

Q114 Chairman: Can I just raise one final point? Water is one of the most valuable resources that humankind has. There was talk a few years ago in this country about the water grid, which seems to have hit the buffers big-time. If it is such a valuable resource, why is it that we have, certainly until comparatively recently, under-invested in it? We are now potentially cutting out some of the revenue stream. Why is water not up there as one of the key issues, not just in transport but in the whole way in which we are evolving our planning and our economic growth systems? Why is it that water is still a bit of an afterthought when it comes to some of the big decisions that we make in our everyday lives?
Mr Schlegel: I am sorry. I am not particularly clear whether you mean in relation to British Waterways or generally.

Q115 Chairman: I am going beyond British Waterways. I am actually saying that, for example, we do not have a Minister for Water. If you look at the number of different tangential issues—regeneration, water supply, some of the issues we have talked about about how you can move around the country—why is it that water is something that really does not figure as of key concern? It is always there as a second or third-tier issue.
Mr Schlegel: If you go to other countries, you will see there are ministers for irrigation, for example, where water is valued and seen as a scarce resource. I think the Environment Agency would feel that they have a particular role to safeguard this country’s water supply and its long-term viability. It is a bit
like Radio 2 saying Thames Water has had the drought order withdrawn after the wettest winter in memory. It is seen to be something that the British population do take somewhat for granted and think that we should be able to have enough water. Climate change is obviously going to change that. The biggest issue with water in this country is its storage. There has been a presumption for a number of years against the development of more reservoirs and the like but that is now changing and we are seeing a number of reservoir development proposals coming forward. At a political level—I am not qualified to say this—and I remember there being a Minister for Drought at one point in time. I have no doubt that at some point in the future it will be politically expedient to have a Minister for Water.

Mrs Moon: Or a Tsar!

Q116 Sir Peter Soulsby: Can I briefly return to focus on leisure again and what you were saying about congestion, honey pots and so on. I want to pick up something from the early evidence from the RDAs on the prospects for making better use of the network by opening new links. They referred to the Lichfield and Hatherton link, or at least it was referred to by them or by the IWA. I am aware also of proposals to try and link Bedford to Milton Keynes. Are these links ones that actually would address that issue and are they technically possible and, in broad terms, worth doing?

Mr Schlegel: I think in regeneration terms, generally speaking, the funding will be driven by regeneration opportunities and certainly, if the experience of the last 15 years is anything to go by, the justification for the upgrading, improvement or otherwise development of the existing network has been on the basis of socio-economic gain. I think the spread of the leisure opportunity therefore will follow that and I think it is creating that leisure opportunity in those locations where it is not currently available that will widen the waterway leisure opportunity. I do not see that fulfilling a leisure desire is necessarily what is driving it; I think it is a socio-economic opportunity to bring waterways into good use as opposed to being semi-derelict assets. That is what has driven restoration to date.

Q117 Sir Peter Soulsby: To reinforce the point that was being made earlier, the regeneration that will drive that is not central to what Defra is about.

Mr Schlegel: Yes, absolutely and of course, the recreational value—and I would prefer the word “recreation” rather than “leisure” when it comes to British Waterways, because I think it is about informal use rather than some of the more structured leisure uses.

Q118 Chairman: Mr Schlegel, you have been very generous with your time. You heard what I said to earlier contributors: what you have said cannot be unsaid but there may be something that either yourself or the Institution wish to clarify or enhance and we are only too willing to receive additional written evidence. We thank you for appearing before us and hope you did not find it too onerous.

Mr Schlegel: Thank you for inviting me.
Monday 5 March 2007

Members present:
Mr David Drew, in the Chair
Rt Hon Michael Jack
Sir Peter Soulsby
David Lepper
Mr Roger Williams
Mrs Madeleine Moon

Memorandum submitted by the British Marine Federation (BW 45)

Executive Summary
— The UK has a successful and growing leisure marine industry. On inland waterways there is a vibrant business community, wholly comprised of small firms. These enterprises make an important contribution to the £2.8 billion generated annually by the boating sector for the UK economy and the 35,000 jobs that it sustains.
— Government support for inland waterways over recent years has promoted a renaissance in the sector, boosting participation in boating, and enabling regeneration in run down rural and urban areas.
— Cuts to the British Waterways (and Environment Agency) budgets threaten to undermine this progressive agenda.
— The boat hire market, in particular, is very fragile and will be hard hit by increased costs for license registration and fuel prices, at a time when the cost of living is increasing and the public is thinking hard about how it spends its disposable income.

Recommendations
— We believe that DEFRA and the Treasury must recognise the role of inland waterways as a driver in the UK’s leisure industry, and the critical role played by British Waterways and other navigation authorities.
— DEFRA and HM Treasury must engage with the leisure marine industry to see first-hand the impact that the cuts could have on a fragile sector.
— DEFRA and HM Treasury must meet the commitment set out in the Government policy paper (Waterways for Tomorrow) and provide navigation authorities with the certainty of funding that will enable them to continue to manage the national asset that is our inland waterways in a professional manner.

Introduction
1. The British Marine Federation is pleased to respond to the EFRA Committee’s inquiry into the work of British Waterways, a DEFRA sponsored public corporation, but feel that the scope of the inquiry should have included the Environment Agency as the navigation authority for our rivers which has also suffered DEFRA cut backs.
2. The British Marine Federation is the national trade association for UK companies operating in the leisure marine industry. The BMF has 1,500 member companies, who are all small and medium sized enterprises.
3. The UK leisure marine industry nationally is a successful and growing sector of the UK economy. The revenues generated by our industry have grown steadily over recent years. Most recent industry statistics released in January 2007 demonstrate our continuing successful performance with revenues of £2.8 billion, of which over 33% represent exports. Our industry now employs around 35,000 people. The growth in boating on inland waterways has been a significant contributor to this success in recent years.
4. Approximately 40% of BMF members have interests in inland waterways, operating businesses on the canal network, navigable rivers and the Norfolk broads. Operators of hire boats, passenger boats and hotel boats deliver visitors to our inland waterways, including many international tourists. These operators, together with others who build boats, operate marinas, moorings and boatyards, contribute significantly to the rural and urban economy.
5. Those individuals who operate businesses on the canal network depend on British Waterways to manage and maintain the environment in which their businesses exist and can remain viable. These businesses, themselves also make a significant investment to the network by providing facilities and services for the general public. To continue to make this investment confidence in the market is required and confidence in BW’s ability to operate efficiently is crucial to such investment decisions.

6. In addition to being responsible for the maintenance of the network, BW is also the monopoly landlord of many of these businesses who lease property owned by them. Other businesses which are riparian freehold landowners must pay fees to BW to connect to the waterway network. BW has a unique position of power over all of these businesses and has the ability to influence the business environment in which they operate. There is no doubt that under funding of British Waterways, coupled with a drive to raise alternative sources of income, would have knock on consequences for these businesses.

RELATIONSHIPS WITH BRITISH WATERWAYS

7. The BMF has always endeavoured to maintain constructive working relationship with British Waterways, the Environment Agency and the Broads Authority as the three leading navigation authorities in the country. The BMF has traditionally had a good track record of working in partnership with British Waterways and we have been pleased to cooperate in addressing issues like the Foot & Mouth Disease crisis, problems that existed with the Boat safety Scheme and pursuing marketing initiatives to promote inland waterways.

8. The relationship between the BMF and British Waterways became extremely strained for a two-year period, between 2004 and 2006. This situation arose out of a dispute concerning BW’s commercial activities in the marinas and moorings market. This was resolved via mediation in February 2006 and both BW and the BMF have worked hard over the last year to rebuild the relationship between BW and the industry. BMF has welcomed the positive approach taken by BW management and non-executive directors.

9. The appointment of a BW non executive director with specific experience of competition and fair trading issues is welcomed and the BMF has been pleased to be involved over the summer of 2006 in a working group that has developed a BW fair trading code of practice.

10. As a national representative trade body for the inland marine industry, the BMF considers itself to be a stakeholder in our inland waterways. BW recognise the BMF as a strong voice for those small businesses based on our inland waterways. We also consider ourselves to be a stakeholder of British Waterways as one of their recognised user groups, and a potential partner with them on various projects beneficial to our waterways.

11. The establishment of the British Waterways Advisory Forum in 2005 has significantly improved BW’s relationship with waterways stakeholders. The BMF was pleased to play an instrumental role in the working group that developed the terms of reference for the BWAF. The Executive Director of the BMF has been Chairman of the BWAF (elected by stakeholder members) since its inception.

THE FINANCIAL FRAMEWORK OF BRITISH WATERWAYS AND THE IMPACT OF CHANGES IN DEFRA’S BUDGET

12. BW is the public corporation that is responsible for the management and maintenance of the country’s inland waterways (predominantly the canal network system). BW performs this function with grant-in-aid from Government and income generated from commercial activities. BW carries out this function on behalf of the public of the United Kingdom and it is widely perceived as the public corporation, which is the arm of Government that manages the canal network and as the “guardian” of this inland waterways national asset.

13. “Waterways for Tomorrow”, published in 2000, was the first policy statement by Government on inland waterways for over 30 years. It was widely welcomed by the inland waterways community, including the boating industry, as it set out a positive vision from Government of the benefits arising from the promotion of inland waterways and its encouragement of a modern, integrated and sustainable approach to their use.

14. In publishing “Waterways for Tomorrow” the Government identified that the country’s inland waterways are a national asset that should be enjoyed by all. The investment by Government thought grant-in-aid is therefore fully justified and very important to the future well being of the infrastructure. Government grant-in-aid recognises that BW is providing a public service, the cost of which cannot be fully recovered from all users at the point of use. The pursuit of alternative sources of funding needs to be carefully managed and a core element of GIA retained. This is required to offer the certainty to effectively manage the waterways and reflect the contributions already made by UK tax payers.

15. The BMF and the inland marine industry is very concerned about the impact of changes in DEFRA’s funding to the navigation authorities that manage our inland waterways. Cut backs in this financial year have had significant impact on the ability of navigation authority management to manage professionally. There is deep concern about funding commitment for the future to the end of the CSR period in 2010/2011. The claw back this year has already forced BW’s management to cut their cloth accordingly, resulting in an announcement of 180 job losses. Only time will tell exactly what impact this will have on the quality of
service that our members and the boating public receive from BW. However, there is already deep rooted worry about the loss of experience and expertise from the organisation. There is also strong concern about the prospects of increases in boat licences that could significantly increase the costs of boating on our canals.

16. If the Government is committed and serious in its views about our waterways as a national asset, there is an argument that DEFRA and HM Treasury should provide grant-in-aid at levels that will see our waterways maintained at a level that can be widely and safely used by all and safeguarded for future generations. Above all, the navigation authorities and BW in particular need certainty about future levels of funding in order to be able to business plan and manage their waterways professionally.

RECENT DEVELOPMENTS IN THE STEWARDSHIP WORK AND COMMERCIAL ACTIVITIES OF BW INCLUDING PROPERTY PORTFOLIO

17. The BMF is of the view that overall, BW has taken a very professional approach to its stewardship of the canal network. Over recent years this has seen an elimination of a backlog of safety related maintenance, they have played a significant role in urban and rural regeneration and successfully completed restoration projects that have opened up waterways bringing economic, social and environmental benefits as well as opening up new markets for our members.

18. The BMF believes that BW needs to perform its statutory responsibilities with the ethos of a public service organisation. We also recognise that maximizing revenue from commercial activities demands a professional commercial approach. To balance both of these cultures within one organisation requires great care, governance and accountability. The BMF has experienced difficulties where BW have chosen to pursue commercial activities that compete directly with our members business. However, we are confident that measures put in place over the last year will overcome problems in this area and that there are mechanisms in place for redress where there might be problems. There needs to be a balance, to ensure that a drive to seek revenue from elsewhere does not cause conflicts and put small firms, that are a vital part of the rural economy, out of business.

19. BW's property portfolio is a significant asset that needs to be managed to the benefit of income generation. It is a legacy that the modern day BW has inherited from the past. BW needs to manage its property portfolio in such a way that it generates revenues that can be ploughed back into the canal network.

POTENTIAL FOR GROWTH IN LEISURE AND FREIGHT USE OF THE WATERWAY NETWORK

20. Leisure use of inland waterways has grown significantly over recent years and there remains potential for further growth. 3.5 million people enjoy boating and watersports on the coast and inland waterways of our country. The success of the inland marine industry reflects the growth in boating on our inland waterways, which in 2006 totaled up to 448,000 participants in canal boating. This figure does not include canoeists, and other small craft.

21. Continued growth is dependent upon boating remaining affordable and accessible. It is currently a socially inclusive past time and recreation. A direct result of the DEFRA cuts will be an increase in boat licences. This comes at a time when inland boat users face a significant increase in the costs of marine fuel due to the European Commission ending a UK derogation that has permitted a lower rate of duty on red diesel. The accessibility of boating is dependent on boat owners having places to moor their boats on the canal network. There is currently a shortage of marinas and moorings, which both BW and the private sector need to work in partnership to ensure supply meets demand.

22. The recent increases in the cost of living are also almost certainly going to have an impact on the market, as both the general and the boating public make choices about how to spend their disposable income.

23. The inland waterways of our country offers great opportunity for the carriage of freight. The Department for Transport has invested in studies and grant schemes to explore and encourage the potential for increased carriage of freight by inland waterways. It is greatly disappointing that BW's dedicated freight team have been subject to job losses that BW have announced as a result of the DEFRA cuts.

RELATIONSHIPS BETWEEN BRITISH WATERWAYS, CENTRAL GOVERNMENT, RDA'S AND LOCAL AUTHORITIES

24. BW is a public corporation whose responsibilities cross cut many central Government departments. They have been a great catalyst for regeneration (DCLG). They benefit the environment (DEFRA) and related education (DfES). They host a vibrant inland marine industry (DTI). That industry also contributes to tourism, BW manage a vital part of British Heritage and provide a base for sport and recreation (DCMS). Canals can form a viable network for the transportation of freight (DfT). When all these factors come together they provide vital economic benefits (HM Treasury). This situation begs a question about which Government department should sponsor responsibility for inland waterways.
CONCLUSION

25. This evidence sets out the views of the BMF as the trade representative body for the inland marine industry. It highlights the critical role that British Waterways and other navigation authorities play in the success (or failure) of this sector of industry.

26. Overall, British Waterways have managed the waterways for which they are responsible in a professional manner that has been beneficial to the growth of boating on inland waterways and the success of our industry. The claw back of grant-in-aid by DEFRA in this financial year and the prospects for future funding now represents significant threat to the future of this successful sector of industry.

27. The BMF would welcome the opportunity to present oral evidence to this Committee Inquiry.

British Marine Federation
January 2007

Witness: Mr Howard Pridding, Executive Director, British Marine Federation, gave evidence.

Q119 Chairman: Good afternoon, everyone. Welcome to the second evidence session of our inquiry into British Waterways. Our first witness is Mr Howard Pridding, Executive Director of the British Marine Federation. Perhaps I may start the evidence session by asking: how much confidence do you have that BW is the appropriate organisation to take forward the development of the canal network?

Mr Pridding: My view, which I believe my members would support, is that over recent years BW has demonstrated with its engineering skills, knowledge and experience that it is the organisation to take forward the network. My members would be relatively satisfied with its stewardship of the canal network over recent years.

Q120 Chairman: You say that despite the fact that BW has taken quite a wide view of how the canal network should be developed rather than look at boaters’ interests. Do you have some concerns about that?

Mr Pridding: The boating market is one element of the canal network and BW has responsibility for the overall management of it. BW must take a wide view, but that is to the benefit of the boating market, and my members supply that market.

Q121 Chairman: What was the basis of the dispute that you had with BW but which now appears to be resolved? Having read the comment that came out, I for one am a bit confused about the reason for the dispute.

Mr Pridding: Our membership consists basically of waterside marine businesses. They provide the marinas, build the narrow boats and provide the hire fleets. One needs to understand their relationship with British Waterways. BW is a public corporation with statutory responsibilities to manage the network. Obviously, it has been urged to become more commercial over recent years. Half of our members are riparian freeholders; others are lease tenants of British Waterways. In 2000 British Waterways decided that it wanted to enter the marinas market and a number of our members saw their landlord suddenly competing with them in the same markets.

Q122 Chairman: When you say “enter the marinas market”, do you refer to land development?

Mr Pridding: Yes. BW bought one of the largest marinas in the network and decided to operate it directly rather than lease it to the private sector.

Q123 Chairman: Which marina is that?

Mr Pridding: Sawley marina in Nottinghamshire. We addressed those issues over a two or three-year period. There was mediation about a year ago, and over the past year we have worked with British Waterways to develop a fair trading code of practice. We are now confident that BW is competing fairly in that market. Our members cannot say that BW should not be doing that but what they can expect is fair competition. There is now a fair trading code of practice in place, and if any member has a problem with it there are means by which he can redress it. It was a major dispute that cost my organisation a six-figure sum in legal fees but it was resolved one year ago. We are now looking forward and are content that BW is operating fairly in the marinas and moorings market.

Q124 David Lepper: The evidence submitted by your organisation talks about a renaissance in the sector over the past few years, but we have other evidence to suggest that there are real constraints on any further development of the use of the system, perhaps in part because of the state of the waterways themselves. There is in particular a constraint on further leisure use of the network. To what extent do you believe there are obstacles because of the present state of the track?

Mr Pridding: There has been a growth in leisure marine nationally. Our industry is worth £2.8 billion and it has grown by 7 or 8% per annum. The inland waterways part of our membership reflects that growth, so boating on inland waterways has become a very popular pastime. This government has made significant investment in inland waterways since it came to power and that has been good. At the moment demand perhaps outstrips supply. There is a need for more moorings on BW’s network and we have to work together to see how we can satisfy that demand.

Q125 David Lepper: We have heard about the current backlog of about £100 million of maintenance works on the network. Is that having
an impact on the business of your member companies at the moment; if not, is it likely to do so in future?

Mr Pridding: It certainly can have. If one looks back a number of years, BW convinced what was then DETR of a backlog of essential safety maintenance. That was addressed by the department. We still have a backlog of maintenance work that needs to be done. It certainly is a threat to my members' businesses. Our members cannot relocate their businesses. If one has a hire fleet on the canal network one cannot just shift it somewhere else. If one is located on the Rochdale canal and there is no water in it because of a breach in it one's business immediately stops. The backlog of maintenance is very important to the industry. Our inland waterways members depend wholly on the navigation authority to maintain the environment in which their businesses exist and, hopefully, prosper. If there is a problem with the track that immediately affects my members' businesses. To go back to the foot-and-mouth crisis, at that time British Waterways decided to close the canal network and risk-assess each waterway. That happened just before the opening of the boating season in March and immediately stopped my members' businesses. Anything that has the potential to close the canal network is of concern to the industry.

Q126 Mr Williams: You mentioned breaches in canals. That has happened a couple of times on the Monmouth & Brecon canal in my constituency. Do you have any measure of how breaches in the canal have affected the financial viability of your members? What is the cost per annum of those occurrences?

Mr Pridding: I cannot give you accurate figures. All I can say is that the impact is immediate, and the Brecon canal is a fine example of that. If there is a closure of that canal the hire boat companies on that canal cannot operate their businesses. They have clients to whom they have sold holidays but they cannot use that canal. The effect is immediate, but I do not have accurate statistics and financial figures that I can provide.

Q127 David Lepper: The evidence provided to us by the Institute of Civil Engineers is that it is unlikely British Waterways will meet its 2012 deadline for eliminating the backlog of maintenance work. Do you share that view?

Mr Pridding: I am not sure I am qualified to give you an answer to that. What my members are confident about is the engineering expertise of British Waterways, but I am not an engineer and so cannot give you a view on the backlog.

Q128 David Lepper: What about the possibilities of exploiting the additional capacity in the network? Some of the evidence we have received talks about the problems of overcrowding around honey pot points in the network which prove to be more and more popular. What is the possibility of expanding and exploiting those parts of the network that at the moment are underused on behalf of your members?

Mr Pridding: It is true that there are honey pot sites. If one goes to Braunston marina on a bank holiday it will be very busy and crowded, but if one goes to other areas—the northern stretches of the canal network—there is still great potential. British Waterways has to work in partnership with the private sector to create a climate in which we can start to develop new facilities outside those honey pot sites. There is still plenty of network, where there is the capacity to develop moorings or marinas.

Q129 David Lepper: Do you believe that British Waterways is proactive enough in doing that?

Mr Pridding: Very much so. Over the past year the BMF and its constituent body the Yacht Harbour Association have worked with British Waterways to develop a marinas investment guide. BW quite rightly wanted to encourage development. What we brought to the party was industry expertise. I put together a working group of members experienced in developing and operating marinas to make sure that the guide that BW was putting out was realistic and factual. BW is working hard and has set up a Marinas Unit which has been very useful. It has also helped to deal with some of the competition issues.

Q130 Sir Peter Soulsby: For the record, mention was made of Sawley marina. I remind colleagues that I was vice-chairman of British Waterways at the time of the purchase of Sawley marina. I happen to have a small boat moored there at the moment. You have talked of your deep concern about the potential for a significant increase in the costs of boating as a result of reductions in government grant. Can you tell us what evidence you have as to the likelihood of a significant increase and any concern you may have that result from it?

Mr Pridding: Recreational boating is like any other pastime; we all spend our disposable income on it. If the costs go up then one must make a decision about continuing it, whether it is boating, golf, tennis or whatever. The industry is always very concerned about the costs of boating and access to the water. Our two main concerns are access and affordability. At the moment the situation is very fragile. For example, the Environment Agency has increased licence fees in the region of 40% over three years. The cost of boat licences is going up. BW has stated that as a result of the cutbacks by Defra that is one of the matters it will have to look at. One has a situation in this market where the cost of boat licences will potentially increase. The cost of marine fuel is also going up. We have just lost the European Commission’s derogation relating to the duty on red diesel, as I am sure some Members are aware. As a direct result of the cutback in Defra funding BW and other navigation authorities must look at how to balance their books. That potentially will lead to increases in the cost of boating.

Q131 Sir Peter Soulsby: But one could argue the evidence suggests that despite increases in the cost of boating and licence fees in particular the use of the network for leisure boating has increased over recent years. Why should it be different in future?
Mr Pridding: We all spend money on our recreations. There is a limit to what people will spend, so as an industry we want to make our product as affordable as possible. There are a number of factors which at the moment add to the cost of boating. You are correct that recreational boating has increased on our inland waterways, and we want that trend to continue. What we have to do is ensure that it is accessible and we make the increases in the costs of boating as affordable as possible.

Q132 Mr Jack: Have you made any economic analysis of the elasticity of demand for boating to give us a feel for the relationship between any further cost increases that may result in higher licence fees, for example, and the use of the waterways?

Mr Pridding: We have not done any direct research on elasticity.

Q133 Mr Jack: Therefore, your evidence is, if you like, subjective in terms of the relationship between the increase in cost and the use of the waterways?

Mr Pridding: My evidence reflects the response of members about their concerns. The BMF has not done any research on elasticity but its members are greatly concerned about the fact that people are being priced out of the leisure boat market.

Q134 Mr Jack: Am I not right in saying that over the past five years costs have been rising and yet the message you give us is that the use of the waterways and their popularity have also increased?

Mr Pridding: Costs have not risen at the same rate as those of boat licences. A 40% increase over three years is quite significant. That was the example I quoted earlier. That resulted from the Defra cuts to the Environment Agency which means that it has increased its boat licence costs in the region of 40% over a three-year period. BW is also looking at its licence fees and will probably match those increases. For my members who are operating businesses that is a concern. Boat licence fees are going up; the cost of marine fuel is going up, and that is when people start to take decisions about whether or not to continue their pastimes. My evidence is based on genuine concerns on the part of people who are operating businesses on the waterways that they feed back to us as their national trade association.

Q135 Chairman: To get a clearer idea, do the majority of your members provide boats for the public to use for leisure purposes, or do members also provide facilities for those who live on boats and who are, so to speak, full-time boaters?

Mr Pridding: My members provide the boats, the equipment, the services and facilities—marinas—for all sorts of people who are involved in boating. Therefore, those activities include some residential boat-owners. Some of our marina members have residential boats within their marinas. Basically, there are 3.7 million people in the UK who enjoy all forms of boating and water sport both on the coast and on inland waterways. Our members are the people who service that market. I stress that our membership is comprised wholly of SMEs. The companies on the inland network are predominantly small firms, many family owned. It is an industry comprised wholly of small firms.

Q136 Mr Williams: You told us that the capacity of mooring and marina sites was one thing that would limit the increase in the use of waterways. Do you have any idea by how much that capacity needs to increase in order to satisfy demand?

Mr Pridding: I think the answer to your question is no. I cannot provide you today with a figure. Maybe it is a matter that I can try to come back to later, but I have no figures with me that can provide an accurate estimate.

Q137 Mr Williams: Some of your members are involved in boat-building.

Mr Pridding: That is correct.

Q138 Mr Williams: Are they building too many boats for the capacity of the moorings or the waterways as they are at the moment? Do they look at the demand and waterways capacity to accommodate their products?

Mr Pridding: The water capacity is there but not the mooring facilities. Narrow boat building on the canal network as one sector of our sector has been very buoyant, if you will excuse the pun, over recent years. Many people now turn to a boat-builder and say, “I will buy a boat from you if you can provide me with a mooring.” It is affecting the market quite drastically and it is the same on the coast, not just the inland waterways. The BMF owns the London and Southampton boat shows. When someone comes to buy a boat the standard question is, “Can you find me a mooring?”

Q139 Mr Williams: Was your dispute with British Waterways indicative of the pressure on BW to generate income? Is there some conflict between its economic imperative and its stewardship duties?

Mr Pridding: British Waterways is a public corporation with statutory responsibilities. It must carry out those responsibilities with the ethos of the public service. At the same time, it has every right to operate commercially. It is being encouraged to operate commercially and has some very professional commercial people. We recognise that it must operate in that way. I do not believe that there is a conflict there now. To return to the original question about the dispute, we do not have a problem now; we have addressed it. It was time-consuming and costly, but we are certainly looking forward.

Q140 Mr Williams: Is it your view that in addition to performing well in the marketplace BW is undertaking its stewardship duties effectively?

Mr Pridding: I believe our members would say that overall it has done so in recent years. Obviously, there are plenty of punch-ups between my members and British Waterways. That is bound to happen in the context of landlord and tenant. I stress that my members are dependent on British Waterways for
the environment in which their businesses operate, and overall as far as stewardship of the canal network is concerned they would probably tick the box for BW.

Q141 Mr Jack: Do you have any figures to indicate the shortage of marinas and mooring capacity? You refer to the general problem in paragraph 21 of your evidence, but it provides no numbers.1
Mr Pridding: Some years ago we conducted an audit so it is somewhat out of date. It is something that we hope to do, possibly in partnership with British Waterways. I do not think we have any current figures that would be of use to the Sub-Committee.

Q142 Mr Jack: I ask that question because we are trying to get a feel for the potential income that could be generated in relation to the investment that would have to be made in the network. Your members do not feed back any figures about the relationship between boat orders and moorings. All we have at the moment is a sentence telling us that there is potential, but I am trying to get a feel for the size of it and its geographical location. Some of the evidence we have heard is that there are pinch points on the very popular parts of the system. What I do not get is a clear message as to whether, for example, there are areas in the less busy parts where there could be development. All this adds up to being able to understand whether there is a quantifiable potential additional income available to British Waterways at a time when it is looking for extra revenue, but the message I get is that the federation does not have any hard evidence.
Mr Pridding: Not currently, but it is something that we know we have to do. We have no helpful information that is readily available at the moment.

Q143 Mr Jack: With the Chairman’s permission, perhaps I may pass to the subject of freight. I ask the selfsame question. In paragraph 23 of your evidence you say that the inland waterways of our country offer great opportunity for the carriage of freight.2 How much? What is this opportunity? How do we know the extent of this opportunity? It may be a great one, but just how big is it?
Mr Pridding: Again, I am not sure that the BMF is the best organisation to quantify that opportunity. I stress that we do not have many members that are active in the carriage of freight. There are other freight experts like Sea and Water which was formed with the support of government. I think we need to be realistic about the opportunities for freight. There are certain products and commodities that can be moved by water, for example aggregates and waste. Experiments have been conducted with great success, but whether inland waterways will be the solution I do not know. Just-in-time deliveries will not be going by waterways.

Q144 Mr Jack: If you do not have a hard-and-fast set of numbers you can give us any anecdotal evidence from your members who may have seen freight opportunities from the point of view of wharfage facilities, moorings for freight boats, orders for boats or anything to provide a hint of the barriers to exploitation of the great opportunity which you feel is out there, because that is what you say in your written evidence?
Mr Pridding: I am not sure that we are the organisation to answer that question. Our members are predominantly in the leisure market, not the freight market.

Q145 Chairman: To refer back to a question I asked earlier, to some extent there is an inevitable conflict in this industry between freight and leisure and between those who wish to take holidays on narrow boats and those who wish to live on them. Having done the “tourism” bit, I know about some of the feelings expressed. That is why there is a need for some recognition of the control of demand and supply in the nicest possible way. Do you see that conflict arising among your members, that is, between those who wish to let out as many boats to tourists as possible and those who do not want them because there are not enough moorings for the people who do this business all year round?
Mr Pridding: There is potential for all sorts of conflicts on the inland waterways. I should perhaps have said at the outset that I am also chairman of the British Waterways Advisory Forum which was set up after BW’s review of its openness and accountability. That is a stakeholder forum of which I am the elected chairman. As to conflicts between freight and leisure use, if we were massively successful in getting freight back onto the waterways some of my members, for example hire boat operators, would have problems with their customers queuing at locks if the canal network was full of freight. There are potential conflicts there. I believe that we need to be realistic about the potential for freight. There is a balance. We do not see such conflicts on the waterways at the moment, so it is not high up on the list of my members’ concerns.

Q146 Mrs Moon: I should like to take up exacerbation of that conflict by the impact of the cuts. Your federation provides a strong advocate and lobbying body for its membership, but there are other users of the waterways who perhaps do not have a similar body that can do that lobbying, whether it is the walkers, cyclists, bird-watchers or perhaps some of your small businesses. Will the cuts to the budget of British Waterways result in a battle over where funding will go which means that stronger support and advocacy bodies such as yours will have priority in terms of spending and budget compared with others?
Mr Pridding: I cannot see that the budget cuts will add directly to conflict. I am not sure I agree with your view about the stakeholders on the waterways. They are all pretty strong voices, and I say that as chairman of the British Waterways Advisory Forum. That forum is made up of all stakeholders in the waterways, and there are constituencies for

1 Ev 30
2 Ev 30
walkers, anglers and every single interest in British Waterways. I do not believe that the cuts will directly add to the potential for conflict.

**Q147 Mrs Moon:** Which of the uses do you think suffers the greatest impact?

**Mr Pridding:** BW now has to look at how to cut its cloth accordingly. My members' concern is that the boating market is one from which BW can generate revenue at the moment. We do not have a situation where other users of waterways can easily contribute. We will not have turnstiles on the towpath. If you are asking about the concerns of the industry, the boater will take the brunt of any cost increases arising out of the Defra cuts.

**Chairman:** Mr Pridding, what you have said cannot be unsaid, but there may be other matters that you would have liked to say. You may wish to provide additional evidence. To go back to Mr Jack's point, some of the numbers, even if historic, that can prove the case that you seek to make may be of use to the Sub-Committee so it can get a feel for current trends. Thank you for giving evidence.

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**Supplementary memorandum submitted by the British Marine Federation (BW 45a)**

As you will be aware I gave evidence to the EFRA sub-committee on behalf of the British Marine Federation on Monday 5 March. During this evidence session a number of committee members asked for clarification on some of the issues raised. Specifically there were further questions on:

- The costs per annum of breaches on the Monmouth and Brecon canal.
- Whether there was any economic analysis of the elasticity of demand for boating. Clarification was sought on the relationship between cost increases and diminishing participation.
- Whether statistics could be made available to indicate the shortage of marinas and moorings.
- The impact of freight on leisure users.

The transcript of the evidence session shows that I explained that the BMF did not have up to date research that would better inform the Committee. This letter sets out our further responses to these points of clarification where information exists.

**The Monmouth and Brecon Canal**

Unfortunately, the BMF does not possess any statistical evidence of the costs to business arising out of breaches on this canal. However, it is easy to see the potential damage to a hire boat company for example. The company would simply not be able to do any business during the period of closure—if this occurred during the main holiday season and repairs to the canal were protracted, it is highly likely that the company would be financially damaged and potentially face closure.

**Demand and Cost Increases**

The industry is concerned that increases in the costs related to boating (that we do not control) will damage the market and reduce participation in boating. My evidence to the committee was based on direct and recent feedback from individuals who run inland marine businesses. Although we don’t have specific research in relation to increased costs from BW or EA, we did do some research in conjunction with the Royal Yachting Association (who represent boat users) during our campaign to keep the red diesel derogation for recreational boaters. The research concluded that a significant number of boaters would consider giving up boating if the fuel costs increased significantly. I am attaching a copy of our campaign document “SEEING RED” for the information of the committee. Chapter Two describes the impact on the market when costs rise based on research undertaken with boat owners about increased fuel costs.

**Marinas and Moorings**

I explained to the Committee that there was no recent research available. The BMF last undertook an audit of inland marinas & moorings in 2003–04. I am enclosing a copy (only available in hard copy) of this report for the information of the Committee.

The BMF commissions research on a regular basis for the benefit of our members operating in inland and coastal markets. An update on this work would obviously be beneficial. However, competing demands (due to our members diverse interests) on a small research budget means that we currently cannot commit to a further inland audit.

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1 Not printed. Available on the internet at:
2 Not printed.
FREIGHT

The BMF is the trade association for the leisure marine industry and we have very few members involved in the carriage of freight on inland waterways. We have not therefore carried out any specific research into the potential for increased carriage of freight by inland waterway.

British Marine Federation

March 2007

Memorandum submitted by the Environment Agency (BW 46)

SUMMARY

The Environment Agency (the Agency) welcomes the opportunity to respond to the Environment, Food and Rural Affairs (EFRA) Committee consultation on how British Waterways (BW) is working towards its ambition of creating “an expanded, vibrant, largely self-sufficient waterway network” in the context of the Government policy “Waterways for Tomorrow”.

The Agency has overall responsibility for managing and improving the water environment in England and Wales. Many inland waterways are delicately balanced environments. They need careful planning and management if they are to be used sustainably for a variety of purposes including flood risk management, water resources, leisure and tourism.

Along with the Agency, BW has a central role to play in managing and protecting inland waterways. The Agency’s relationship with British Waterways is important as we work with them in a number of ways including regulating some of their activities, working in partnership on navigation issues and regeneration schemes, and influencing water management initiatives.

The Agency and BW signed a collaboration agreement in 2000 to support better working between the two organisations. Since then, we have developed jointly a wide range of joint initiatives.

1. BACKGROUND

1.1 The Environment Agency is the Government’s principal advisor on the environment. We have overall responsibility for managing and improving the water environment in England and Wales. We set and monitor the environmental standards for all waterways in England and Wales within which all Navigation Authorities work. As well as the many economic and social benefits that waterways bring, good management of inland waterways is vital for the environment in a number of ways:

— supporting fish stocks and conserving bio-diversity;
— proper management of water resources;
— achieving water quality standards; and
— managing flood risk.

These issues are relevant for both rivers and for canals that connect directly to rivers.

1.2 BW is responsible for 3,250 km of rivers and canals and has a central role to play in developing and maintaining inland waterways. The Agency works with British Waterways on a number of levels:

— We regulate a number of the activities that BW undertakes including, fish movements, fisheries management and third party water abstraction from BW waters. Our experience is that BW usually complies with our environmental requirements. We are working together to address issues where non-compliance has occurred.
— The Agency acts as the Navigation Authority for over 875km of Britain’s rivers. BW and the Agency work in partnership on navigation matters including waterway regeneration schemes and the Olympics.
— We work with BW to ensure it integrates waterway management with other uses such as water abstraction.
— BW supports a number of our activities, including providing flood defence and engineering support.

1.3 Given the terms of reference of the Committee, our response is structured around:

— how the Agency and BW are working together; and
— Agency funding of its waterways.
2. **WORKING BETTER TOGETHER**

2.1 The Agency and BW signed a collaboration agreement in 2000 to support better working between the two organisations. As a result we are starting to work much more closely on a wide range of issues, particularly at an operational level. We have regular bi-lateral meetings with BW staff.

2.2 The Agency has specific navigation and recreation responsibilities for 875km of the most environmentally sensitive rivers in England and Wales, including the non-tidal Thames, where water resources and flood management are vital.

2.3 To ensure that our river navigations are well managed, and that the inter-relationships between water resources, ecology, flood control, recreation and navigation are sustainable, the Agency applies a comprehensive approach, based on the principles of integrated river management. In applying these principles the Agency needs to work closely with a wide range of navigation authorities and other stakeholders.

2.4 There are a number of areas where we are already working closely with BW:

   — We have collaborated extensively with BW to develop safety initiatives such as the Boat Safety Scheme, various joint marketing and promotion ventures and a joint licensing system, the Gold Licence.

   — Our inland waterways offer huge potential for regeneration and these schemes are an important part of both BW and the Agency’s responsibility Navigation Authorities. BW and the Agency often have complementary skills and we have both benefited from collaboration on regeneration schemes, such as on the Aire and Calder and on the Lincolnshire Waterways.

   — At an operational level, Agency staff are working closely with BW on a wide range of issues, for example, streamlining licences for fish movements. BW are contributors to the Agency’s Fisheries Action Plans, having been represented on Fisheries Action Plan groups where canals/navigation are a significant feature.

   — The Agency is a founder member of the Association of Inland Navigation Authorities (AINA) and jointly with BW and Defra are the main funders. AINA allows us to work with other Navigation Authorities including BW to achieve common aims and objectives.

   — We have an MOU with BW on hydrodynamic dredging which was agreed in 2003. We are now working with BW to develop underpinning guidance.

   — BW staff provide some support, for example during flood emergencies. It will be increasingly important that we work together on flood risk management as climate change affects UK weather patterns. BW has also provided some engineering services to us under a consultancy agreement, for example, with mining subsidence expertise.

3. **OUR FUNDING**

3.1 In 2005–06 the Agency Board allocated £12.1 million from Government Grant in Aid to fund the public benefits our waterways provide. This compared to £3.5 million contributed by 31,000 boaters with craft registered on our waterways. We received a further £1.1 million from regulatory licences and income from our limited estates opportunities. Other parts of the Agency business, for example flood risk and water resources, contributed £4.2 million for the integrated services provided by our navigation. However, our current rate of capital investment and operational costs exceed our total income by £12 million per year.

3.2 Since the 1970s, limited capital investment in the built infrastructure, such as lock maintenance, has resulted in an estimated £60 million backlog in the Agency’s navigation assets. Recognising the priority for investment and following the Government’s Spending Review 2004 settlement, the Agency Board was able to allocate £30 million over three years, to deal with those in most critical state. We are now in year two of the programme. We will be making the case to Government to continue this level of financial support for a further three years to enable us to address the entire backlog.

3.3 As a result of unplanned Grant in Aid cuts from Defra, the Agency Board reduced the navigation budget by 10% in-year in 2006–07, cutting our navigation budget from £13.5 million to £12.1 million. This is being met through reducing seasonal staffing and promotional activities. Although the Agency’s capital budget was reduced, the navigation capital expenditure was retained at original levels to protect our asset renewal programme.

3.4 To resolve our long term funding position and maintain the infrastructure, we are currently developing Funding and Investment Strategies. These will review our current levels of operations, services and investment rates and amend these to levels we can afford and sustain. The objective is for our funding and delivery to be sustainable by 2020. The Strategies will be implemented by 2010.
4. CONCLUSION

4.1 The Environment Agency works with BW in a number of ways:
— it has distinct responsibilities for navigation as part of its integrated approach to river management;
— it collaborates with BW on a number of navigation and regeneration projects; and
— it regulates some aspects of BW’s operations.

A MOU underpins our relationship with BW.

4.2 We receive Grant in Aid from Government to support our navigation work. We are reviewing how we can meet funding gaps in both revenue and capital funding for our navigation duties.

Environment Agency
January 2007

Witnesses: Dr David King, Director of Water Management, and Ms Julia Simpson, Head of Recreation and Navigation, Environment Agency, gave evidence.

Q148 Chairman: We have before us from the Environment Agency Dr David King, Director of Water Management, and Ms Julia Simpson, Head of Recreation and Navigation. Obviously, we are concerned mainly with the issue of navigation per se. I start by declaring an interest in the consultation that took place five or six years ago. I was persuaded of the case for a unified navigation authority. BW did a much better lobbying job than the Environment Agency and that was what I came down in favour of. Can you persuade me that I was wrong?

Dr King: I would hope so. Certainly, it would not be our view that one should have one navigation authority; nor was it the conclusion of the EFRA Committee in 2001. It concluded there was little to be gained by having one authority but pointed out that there was a need for good co-operation between them. Indeed, the Association of Inland Navigation Authorities was the result of that. But the logic behind the position is that where we are the navigation authority we manage a number of different pressures ranging from flood risk management to water resources, fisheries and navigation. The way to get the best outcome both for the user and environment is to take an integrated approach. I believe that that is well demonstrated on the Thames where we are able to take account of the need to maintain London’s water supply as well as flood risk and the competing leisure users. I believe that there is a very good case built around integrated river management to support the Agency being the navigation authority in those areas. Indeed, users do benefit because our integrated management means that the benefits from investment from either water resources or flood management is also a benefit to navigation. There are also economies of scale. The Environment Agency has a very large capital programme and navigation is able to benefit from the framework of contractors and consultants in carrying out that programme.

Q149 Chairman: One of the problems is that, unlike BW which has a very clear brief on what it is being asked to do with its responsibility for the canal network, the EA can have conflicts of interest. To some extent there must be issues to do with whether or not we should give greater consideration to those who wish to navigate our waterways compared with those who wish to see them left alone. I have that in my own area. The Sub-Committee is to see the Cotswold canals. One could argue that to open up such a waterway is not good for the green environment because inevitably it will be disturbed.

Dr King: The principle behind integrated river management is to find the right balance between the different users of the waterway and the environment itself, and that is what we strive to do. It is about balance, and I think we do it pretty well.

Q150 Mrs Moon: I want to go back to the question of the potential conflict. British Waterways has two responsibilities: stewardship and its commercial role. Given the cuts it is facing, it needs to increase its revenue. If we are not to have turnstiles on towpaths—I think we are all pretty clear about that—what role do you see yourselves playing in ensuring that your integrated river management does not fall apart and emphasis is placed on maximising revenue and income rather than taking on board all of the other users and pressures particularly environmental, habitat and biodiversity protection?

Dr King: BW has a different constitution from the Agency. BW is a public corporation; we are an under-departmental public body. We do not have the same requirement or opportunity for commercial activity as BW. One also must put the cuts in context. The Agency has a grant-in-aid budget of about £450 million. The Defra cuts equate to about £28 million, of which £15 million is to do with flood risk management. The remainder was spread across our grant-in-aid functions and for navigation that equated to £700,000 a year. Clearly, one has to make hard choices. Our choice was to protect our capital programme and the impact was on promotional activity, vacancy management and some maintenance. As unpalatable as it is, one can manage that cut in year. The question is: what happens in subsequent years? Certainly, we would not want to see any erosion in grant-in-aid in navigation. But the Sub-Committee will also
probably have picked up in the evidence that the Agency has just implemented a new charging scheme for the next three years. The driver for that was not the Defra cuts per se. Looking back to 1997, grant-in-aid made up about 48% of the total operating costs and last year grant-in-aid was 78%, so the increase in costs over the three years is to try to restore the balance between grant-in-aid and user but also to bring our charges in line with those of British Waterways.

**Q151 Mrs Moon:** That did not answer my question. Do you believe that given the cuts it faces British Waterway, rather than emphasising its stewardship role and the protection of the environment and natural habitats, will emphasise its commercial role; it will maximise its income from the use of boats and the commercial activities around boat ownership?

**Dr King:** I do not think that that necessarily follows. Clearly, a balance must be struck. Undoubtedly, it is a difficult tightrope to walk, but there is no reason why both of its activities cannot be discharged so that it does not compromise—and we would not expect it to—its stewardship of the waterways for commercial gain.

**Q152 Mr Williams:** I should like to refer to the relationship with BW which you have alluded to on a number of occasions. You work closely with British Waterways on a number of issues, but sometimes there must be conflict in the sense that your duties conflict with the economic objectives of British Waterways. Are you satisfied with the effectiveness of the joint working, and could the relationship be improved at either a strategic or operational level?

**Dr King:** I suppose that our interaction with British Waterways is a two-headed process, one of them as a sister operating authority, which I believe works well. There are all sorts of agreements and opportunities that we have exploited from common boat licences to support in managing a flood during a flooding event. But we are also a regulator. Clearly, as a regulator we regulate British Waterways. By and large, we are satisfied with BW’s environmental stewardship, but that is not to say that from time to time there are not tensions and issues, and that is life.

**Q153 Mr Williams:** Perhaps you would quote instances where the Environment Agency has had to enforce against or advise British Waterways on issues?

**Dr King:** The type of issue is one where BW has the principal objective of maintaining the navigation and from time to time there may be a release of water into the canal system or into a neighbouring river system that causes low oxygen with fish mortalities. If that type of situation occurs—it does from time to time but it is not frequent—obviously we will consider enforcement action.

**Q154 Mr Williams:** What sort of collaborative efforts have been made to ensure that these concerns do not arise in future?

**Dr King:** We have dialogue at a number of levels. I have fairly regular meetings with the Chief Executive, Robin Evans, but at operational level our regional directors also have discussions to ensure there is mutual understanding between us.

**Q155 Mr Williams:** Collaboration is also taking place on regeneration projects. Perhaps you can tell us how the majority of these projects take place on British Waterways’ waters or those for which you have responsibility.

**Dr King:** Clearly, because of the nature of the canal system and its property holdings in urban areas British Waterways has a much bigger opportunity and programme of regeneration than the Agency, but there have been collaborations. Probably the biggest one is the fens link on which my colleague may wish to comment further.

**Ms Simpson:** The fens link is something on which we have been leading a consortium of partners around Boston for the first phase. It is a three-phase project. By the time we get to the third phase we will link directly into the BW network in the Anglia region and will open it up to boaters. There would be a much wider opportunity and network on our rivers and also the canal system than at present. In addition, for some of the local communities there is really serious community regeneration, for example in Boston which currently is a fairly depressed community.

**Q156 Mr Williams:** What expertise does each organisation bring to the table?

**Ms Simpson:** We bring expertise about understanding the ecology and potential use of the section of river that we are looking at there. British Waterways has similar expertise but from the canal network side. A lot of funding has been sourced from Europe. This is an £8 million project and the whole of that sum is inward investment. The application for that funding has been led by a consortium of local authorities, so they bring to it direct fund-raising experience.

**Q157 Mr Jack:** I notice that in paragraph 1.2 of your evidence you talk about the work that you are doing with BW.3 For example, you regulate a number of the activities that British Waterways undertakes including fish movement and so on. You say your experience is that BW “usually” complies with your environmental requirements. Then you say that you are “working together to address issues where non-compliance has occurred”. How many instances of non-compliance have there been in the past 12 months?

**Dr King:** I cannot give you an exact number, but it would be fewer than a handful—perhaps two or three.
Q158 Mr Jack: Were any of those slips by people not doing their jobs properly, or were they incidents that related to the non-expenditure of moneys on projects which would have maintained an environmental requirement? The reason I ask that is to probe a little more the close working relationship and ask whether you sense that the budgetary pressures that BW may now be under could increase the prevalence of breaches of its environmental requirements.

Dr King: I do not believe that they were directly related to their budgetary costs; they were operational deficiencies rather than the direct impact of costs.

Q159 Mr Jack: I have searched your evidence and so far I have found only one word that relates to the biodiversity element of the canal network. You mention in paragraph 2.3 “ecology” and that is it; the rest of it is fairly economic.\(^4\) You have some remarkable corridors in the canal-like work as far as biodiversity is concerned. One of the interesting things that your close working with BW might have elicited is the conflict between the sustenance of biodiversity and the intensity of the use of the canal network. Has anybody studied this?

Ms Simpson: Generally speaking, if one looks at the whole extent of the canal network the intensity of use is not that great.

Q160 Mr Jack: That is perfectly true across the whole network, but we have been told that there are certain pinch points or honey pots.

Ms Simpson: There are pockets. In terms of striking the balance that we have heard about this afternoon one is looking at what it is important to maintain in particular places. It may be that one can have excellence in biodiversity in one area but maybe to a lesser extent in some of those areas where there are honey pots. We look at it on a case-by-case basis and that is where we work very closely with BW’s expertise locally.

Q161 Mr Jack: In noting the increase in interest in the use of the canal systems are there any biodiversity issues that we should know about if the use becomes more intense? Has any work been done on that?

Ms Simpson: There could well be issues, but again I think that would need to be looked at on a case-by-case basis.

Q162 Mr Jack: Help me to understand what these issues might be.

Dr King: We are the competent authority for the Water Framework Directive. By 2009 each river basin must have in place a plan which encompasses the canals. The canals are likely to be designated heavily modified water bodies, but nevertheless they will have to attain good ecological potential. Right now work is going on to understand what that means.

Q163 Mr Jack: Have you drawn any conclusions from the pilot river basin programme involving the river Ribble’s catchment area in which, for example, the Lancaster canal and Leeds and Liverpool canal are located? Are there any indications from that?

Dr King: There may well be, and I can certainly let the Sub-Committee know.

Mr Jack: I think it would be helpful to flesh out a little more whether or not there is a conflict. As you will have gathered, there is a lot of pressure on British Waterways to maximise the earnings potential from the canal network by both leisure and freight, but there is also an ecological dimension. I am struggling to get to grips with that, so perhaps you can tease it out for me.

Q164 Chairman: To give one example of which I am well aware, because of the lack of water in a canal attempts have been made to use river water directly or indirectly. How would you approach something like that? BW wishes to open up new canal networks. Clearly, that has an implication for the supply of water in the river network and maybe for drinking water. Perhaps you would look at that and come back to us. You can use my own area which has a number of examples. I am intrigued about the process of how you enter into that agreement. It would be very easy to refuse and say that the river is the river and the canal must find its own water; or you might just give your water to that canal. But it would be useful to know how that occurs.

Dr King: I am certainly happy to do that. I just make the generic point that if there is an abstraction from the river that can happen only by the Agency granting a licence. Before that abstraction licence is granted British Waterways would need to demonstrate need, and we would also need to understand the impact on other abstractions and the environment. I am happy to come back with more detail.

Q165 Sir Peter Soulsby: I should like to return to a matter the full implications of which I had not appreciated until I heard the answer to an earlier question. I refer to the different status of the Environment Agency and British Waterways when it comes to matters such as regeneration. As I understand what you are saying, the status of the Agency prevents it from playing the role in regeneration on its waterways that British Waterways can play on its waterways. As I understand it, however, British Waterways cannot play that role on your waterways because of restrictions on its funding. Does not the combination of those two mean that your waterways lose out?

Dr King: Not necessarily. Most of the regeneration opportunities that BW rightfully exploits are in urban areas. The principal difference is that we cannot purchase land just for regeneration purposes; it must be connected with our operational activities, which is certainly a constraint on us.
Q166 Sir Peter Soulsby: But it means in effect that neither navigation authority can take an active lead role in the regeneration on your waterways in the way that British Waterways can on its own waterways in both urban and rural environments.

Dr King: We would have to work in partnership.

Ms Simpson: It is a bit like the Boston fens regeneration programme to which I referred. As it happens, there we own the land. But on the Thames, for example, we are lead partners in the River Thames Alliance and work with all the local authorities and many of the riparian owners along the Thames. We would be working with them on specific projects for local regeneration, again bringing different expertise to the table from a consortium.

Q167 Sir Peter Soulsby: You can work with them but you cannot take the lead role as owners of assets or land or buildings on your waterways, whereas British Waterways can on theirs. That is a significant difference. I return to an issue touched on earlier: the difference in scale in navigation in your operation as opposed to the major focus on that aspect by British Waterways. In terms of staff expertise and money that the Agency commits to navigation, can you say something about the process by which the Agency prioritises that and the extent to which you feel that the allocated resources are sufficient and deployed efficiently?

Dr King: The total operating budget for navigation within the Environment Agency is in the order of £19 million, of which about £12.5 million comes from grant-in-aid. The remainder comes from fees and charges. Without question there was an under-investment in capital maintenance from the 1970s up until the past few years. The result was that, similar to British Waterways, we had a significant backlog in our assets. About 23% of our assets were in a critical condition and we now have a programme to address that backlog. That is a capital programme of about £10 million over the next three years and, hopefully, over the next three years. Going forward, we certainly do not wish to see any erosion of funding; indeed, we are currently working on a funding strategy that will put the navigation on a more sustainable footing over the next decade. Clearly, there is always room for additional funding.

Q168 Sir Peter Soulsby: What is your understanding of the level of capital investment that is available to meet that £30 million over the period?

Dr King: In the current year we are committed to spending the same level as we have been spending over the past two years, which is about £10 million or £11 million. Obviously, we do not know what the CSR07 settlement will be for the period from 2008 going forward, but we hope to be able at least to maintain in real terms that level of capital investment.

Q169 Sir Peter Soulsby: Looking at the situation as it is now, what steps have you had to take already as a result of the reductions?

Dr King: The reduction was about £700,000. That did not impact on the capital programme, but it had an effect on staffing levels or vacancies and promotional activity and some maintenance. That is manageable in one year but not if it goes forward.

Q170 Mr Jack: Referring to freight by waterways, we have been told in evidence that per tonne carbon emissions are very low. Has the Environment Agency made any evaluation of the canal network’s potential for increased freight traffic?

Dr King: We have not made an evaluation, but certainly there is potential in terms of reducing emissions and congestion. The benefits need to be understood and balanced with whether there might be other environmental pressures such as increased dredging, perhaps increased bank erosion and maybe additional quayside construction. There would be checks and balances.

Q171 Mr Jack: That is a fair general statement but, given the Agency’s keen interest in reducing greenhouse gas emissions, is that the extent of your interest in freight on the canals—to look at the negatives of increasing it as opposed to the potential for transfer from road to canal?

Dr King: First, it is certainly not the business of the Agency actively to promote freight on the canals; that is very much a matter for British Waterways, but we have certainly co-operated with BW in understanding the potential in the Lea Valley associated with the Olympics.

Q172 Mr Jack: If there were to be transfers for a project like the Olympics with the movement of aggregates and building materials, would there be a possibility of creating some carbon credits? One of the issues is whether one can make freight movement on canals economic. Clearly, there will be a CO₂ reduction per tonne of material. Do you think that we need to introduce a novel form of pricing mechanism in carbon terms, if you like an emissions trading scheme for the canal system, to encourage more development of that kind?

Dr King: It is certainly a novel and interesting idea. It is not something that I have given particular thought to, but clearly anything that reduces carbon emissions must be supported. I go back to my general statement that we would have to consider the wider environmental impacts of freight.

Q173 Mr Jack: You have not been approached by British Waterways in your collaborative arrangements to make a study of any sort of trade-off between carbon savings and the environmental impact that it might have. You have talked about extra dredging. There is no work going on in that area?
Ms Simpson: There are pockets of work going on. For example, work is going on at present to look at dredging the impacts of that and the disposal of material but it is discretely around dredging. It could apply equally to freight and use of the canals as to ports issues. We have not jointly commissioned anything with BW around the trading position regarding freight. If you are thinking of the economic drivers of freight on the waterways and the infrastructure required to enable that to happen there is a hierarchy of issues that we would need to look at.

Q174 Mr Jack: What would those be?
Dr King: There would be environmental considerations and issues to do with ecology and the delivery of the Water Framework Directive; there are issues to do with wharfage and facilities for on-transfer of bulk goods; and there are issues to do with the width and depth of channel.

Q175 Mr Jack: You have a good idea of the issues but nobody has come along and said, “Let us work together and look at the potential of the canal network for more freight given the greenhouse gas emission savings that can come as a result of so doing”? Ms Simpson: We have not put in place any specific programme to do that.

Q176 Mr Jack: And you have not been asked by British Waterways to work with you or anything like that?
Ms Simpson: We have discussed it in broad terms, but one of the things that we have been looking at is the need for a catalyst. I believe that the Olympics and the Lea Valley partly provide that catalyst. Part of the freight transfer associated with that means that some of the infrastructure, like construction of the barges and so on, will be put in place. One can see perfectly well that after the construction of the barges and so on, will be put in place. One can see perfectly well that after the Olympics one will have all that capital investment there in terms of the barges and one will be looking at how to use them.

Q177 Mr Jack: Do you hear any encouraging noises from either Defra or the Department for Transport that this is an area of work that should be developed beyond the general nature of the discussions that you mentioned a moment ago?
Ms Simpson: No practical support. It would make sense to take a cross-sectoral look at it. We take the view that on some of our waterways there must be potential for greater freight movements.

Q178 Mr Jack: But you have not looked rigorously at your own waterways to derive what that potential could be?
Ms Simpson: Not rigorously.

Q179 Mr Jack: Have you done it generally? Have you done any work on it?
Ms Simpson: We have done it generally in terms of looking at local businesses and demand. For example, we know that on the Ouse at King’s Lynn there is currently a significant amount of construction traffic with aggregates being moved on the road network in that area. The Ouse is sufficiently well located in relation to those main centres that there must be opportunity for some movement on the Ouse. Similarly, up as far as Reading on the Thames there must be opportunities. That is why I come back to the Olympics as a potential catalyst because it would be very easy to transfer some of the infrastructure used to facilitate the Olympic site onto the lower reaches of the Thames that are non-tidal. We would be able to facilitate it there fairly easily with minimal dredging and so on, but there would still need to be some capital investment in things like wharfage. We have a reasonable idea of where we would need to be looking, but what we really need is a proper cost appraisal.

Q180 Chairman: Dr King, were you involved in the concept of the water grid?
Dr King: Yes, I was, in that I have in my portfolio of responsibilities water resources policies.

Q181 Chairman: Four or five years ago this was seen as a wonderful opportunity to move water around the country to deal with shortages, but it was also a good little earner for yourselves and perhaps BW, and yet now it is completely dead as an issue. What was EA’s view on it? Did it have misgivings or see it as a good opportunity?
Dr King: We do have misgivings. We do not believe that a national water grid is the answer to the water-stressed areas of the South East for two main reasons: first, water is heavy and it is expensive to move it around in terms of energy costs and pumping; second, there are considerations associated with ecology in terms of the transfer of non-native species and impacts on different water courses. But we certainly believe that there are opportunities for smaller local transfers. Our policy position is that there is a lot more to do in terms of demand management and water efficiency. Clearly, there will be some new resources required in the South East in combination with water efficiency but that is a preferable alternative to a water grid.

Q182 Chairman: Do you have examples of where the EA draws income from water transfer?
Dr King: There are some major transfer schemes, the Ely-Ouse being one of them. That is a major water resource for Essex and part of East Anglia and there, are also some on the Severn.
Chairman: You heard what I said to the previous witnesses. What you said cannot be unsaid, but there may be things that you wish to add to discussions. Certainly, in terms of any examples that Mr Jack brought up you may wish to send us further written evidence. We are keen to look at the opportunities presented to us by the waterways, but we also need to look at some of the difficulties. Thank you for your evidence.
**Supplementary memorandum submitted by the Environment Agency (BW 46a)**

1. **WATER FRAMEWORK DIRECTIVE AND CANALS**

*Question: Provide information about any conclusions drawn from the pilot river basin programme, involving the River Ribble’s catchment area, about biodiversity issues on canals, and particularly whether any conflict exists between the intensity of use of the canal network and the sustenance of biodiversity?*


The Ribble integrated catchment management plan was part of our pilot work on the Ribble on how to best integrate the variety of uses and pressures into a programme of measures for a river basin plan. However, it did not analyse the issues in detail or cover the cost effectiveness of implementing these measures on the catchment. This will be undertaken as part of the North West River Basin Management Plan. The study did not draw any conclusions on the intensity of use of the canal network and the sustenance of biodiversity.

The Ribble provides a key strategic link between the Lancaster Canal and the national canal network. The Leeds-Liverpool Canal and the Lancaster canal were recognised within the pilot study for their importance to navigation, angling, towpath use and biodiversity. These factors will be key in looking at the cost effectiveness of any proposed measures in achieving the environmental objectives for the river basin.

Work is currently underway to develop the process for assessing this. The process will be defined by the summer (2007).

Inevitably some conflicts exist between canal use and the sustenance of biodiversity. As with conflict on land use, these tend to be site or development specific. In most cases these issues are resolved through environmental impact assessments and subsequent mitigation. However, in a few cases, generally involving smaller canal organisations where resources are limited, biodiversity is largely ignored.

There is some evidence that certain levels of boat use on a canal impacts upon the sustenance of biodiversity. Evidence from British Waterways’ Montgomery Canal suggests that up to 300 boat movements per year can improve biodiversity but that by 2000 boat movements per year biodiversity has significantly degraded. The extent of the impact depends upon the intensity of use, size and type of boat, and local circumstances. Other recreational use, walkers using the towpath for example, can impact more than a boat on the water. British Waterways use their own ecological expertise and that of Natural England to advise on biodiversity matters.

2. **WATER TRANSFERS FOR NAVIGATION PURPOSES**

*Question: Provide information about how the Agency and British Waterways would approach a situation whereby British Waterways wanted to use river water either directly or indirectly to address lack of water in a canal. What implications would this have on the supply of water in the river network and for drinking water? How would British Waterways and the Agency enter into such an agreement? The Chairman suggested that examples could be used from the Stroud area, if available.*

Water transfers into canals are currently exempt from the need for an abstraction licence (under the Water Resources Act, 1991). However, we work closely with British Waterways to minimise the impacts of such transfers upon the environment. Failure to do so could adversely reduce the flows and levels in our rivers. This has many potential impacts, including:

- reducing water availability for public supply;
- reducing the ability of our environment to sustain drought;
- reducing the dilution of discharged effluent;
- reducing habitat diversity and suitability for resident and migrating species of flora and fauna;
- reducing freshwater input into our estuaries, increasing salinity and temperature within them;
- reducing the integrity of riverbanks which dry out and become more prone to erosion;
- reducing the natural scouring that prevents habitats from silting up.

We need to balance the range of demands on our water supply to provide for public, industrial and environmental needs. During periods of drought the balance necessarily shifts towards meeting public supply needs. We have defined operating agreements with the Water Companies. These set a minimum flow that must be maintained for rivers adjacent to abstraction points or from which water is directly abstracted. Trigger points are then defined relative to reservoir and groundwater levels at which the minimum flow requirements are reduced.
A good example of such an agreement is the Lower Thames Operating Agreement. This provides a series of minimum river flows that must be maintained for the Thames, through Kingston, relative to reservoir and groundwater water levels. As levels fall so the minimum flow level reduces enabling the water companies to abstract more of the river’s flow to meet and protect public water supply needs.

These agreements afford the best protection to our aquatic environments, whilst adapting to drought periods to meet the public water supply need.

As a result of balancing these priorities there have been instances when we have refused the transfer of water to a canal. However, we try to minimise and manage these.

We currently have Memorandums of Understanding (MOU) and agreements with British Waterways. For example a successful MOU was established five years ago for the interaction between the River Ryton and the Chesterfield Canal. This MOU established a set of control rules and a monitoring programme to protect the river and help facilitate potential drought provisions for the canal. The MOU is currently under review after its first five-year period, and as part of this we are working with British Waterways to jointly develop and fund telemetry improvements and better data interchange.

More recently we have been working with British Waterways on plans for the restoration of the Cotswold Canal, around Stroud. Here a mini-Catchment Abstraction Management (CAMS) plan was developed. This was used to work out the availability of water for the canal, the necessary compensation flows to be provided and to analyse water demand patterns, using British Waterways data. The CAMS plan ensured that all parts of our business contributed to what has become a successful potential model for future licensing of canal water transfers.

Canal water transfers will require water transfer abstraction licenses when the exemption is removed under Section 5 of the Water Act, 2003 that comes into force in April 2008. This will further aid our ability to manage water resources more effectively, to respond to climate change and increasing demand.

Canal water transfers are one of a number of previously exempted activities that will be controlled under the Act. Others include trickle irrigation, Internal Drainage Board (IDB) transfers and de-watering of mines and quarries.

From 2008, British Waterways will therefore be required to obtain the appropriate abstraction licence for any water needed to take to feed a canal.

Environment Agency
April 2007

Memorandum submitted by the Inland Waterways Amenity Advisory Council (IWAAC) (BW 28)

SUMMARY

Expresses concern about the wider impact of reductions in the core funding for British Waterways and in particular the longer-term impact on waterway restoration and development activity.

INTRODUCTION: IWAAC’S REMIT AND MEMBERSHIP

1. IWAAC is the statutory body, set up under the Transport Act 1968, to advise the Board of British Waterways (BW) and the Secretary of State for Environment, Food and Rural Affairs (in Scotland, the Scottish Executive) on matters affecting the use of the Board’s 3,200 km of inland waterways for amenity and recreation.

2. The composition of the present Council is shown at Annex A. Council Members are appointed by the Secretary of State for their individual experience and expertise rather than as representatives of particular bodies or interests. BW is responsible for funding the Council’s work from its annual grant in aid.

3. In recent years the Council’s work has been widened at Ministerial request to include issues affecting all waterways. Examples include the development of strategic policy on leisure and tourism, waterways and their role in regeneration in urban and rural areas, access to waterways for the disadvantaged, waterway restoration activity, heritage and the environment and planning.

4. The Council has good working relationships with other navigation authorities such as the Environment Agency and the Broads Authority and helps to advise the Association of Inland Navigation Authorities (AINA), the umbrella body for all navigation bodies in the UK.

5. Following the provisions of the NERC Act 2006, the Council will be reconstituted on 1 April 2007 as a statutory advisory body to Defra and the Scottish Executive, funded directly by them and with a strategic remit to advise on all non-operational waterway matters in England, Wales and Scotland (in the last on BW waterways only).
COMMENTARY

6. The Committee has set out a number of issues on which it seeks evidence. The Council wishes to concentrate in this short memorandum on the impact of changes in Defra’s budget, particularly the longer-term impact on waterway restoration and development activity.

The impact of reductions in GIA from Defra

7. Along with BW itself, users and other interested parties the Council is naturally concerned at the cutbacks in BW’s budget for this and the forthcoming financial year. Its major concern, however, is not so much the short term prospects where it understands that BW, albeit with difficulty, will manage the shortfall without serious impact, but the longer term implications.

8. In September 2006 the Council wrote to the Minister, Barry Gardiner, in the following terms:

“The Council wishes to express to you its grave concern at the implications for the future health and well being of the major inland waterways in England and Wales. The waterways managed by BW and the Environment Agency comprise over three quarters of the national system. Government financial support through GIA has underpinned their revival over the last decade, enabling a wide range of third party funding to be levered in. The reinvigorated waterways have stimulated growth in waterway-related businesses, multiplied economic and social benefits for local communities throughout the country and boosted a thriving voluntary sector.

If the cuts establish a new and lower baseline for Government funding, the Council believes that much of this progress will be put at risk and one of the most successful policies for which your Department has lead responsibility will be jeopardised”.

9. The Council believes that the priority now is to influence the outcome of the Comprehensive Spending Review. That requires an informed assessment of the multiplier effect of alternative future funding scenarios and the Council is commissioning a short term economic assessment of these to inform the thinking of the parties involved. The preliminary assessment should be available in three months. The conclusions from this research will be fed into a longer term study of funding, which will be the Council’s major piece of work in the coming year. The purpose of this study will be to determine the most appropriate and sustainable method of funding the waterways over the next decade and more.

The impact on waterway restoration and development activity

10. The restoration of abandoned and derelict waterways and the development of new waterways has been one of the great success stories of waterway investment over the last decade. The Council reported on this activity in 1998 and 2001 and is about to publish a third review of the field. A pre-publication copy can be made available to the Committee.

11. This third review identifies 118 projects to restore former, or develop, new waterways and has been able to establish detailed information on 109 of these. Nine significant projects have been completed since the second report in 2001, leaving 100 projects at various stages of development, ranging from initial studies and fund raising through to partially completed and awaiting final funding to complete fully. Of these 100, some 20 projects have started or become known since 2001.

12. In addition to reporting on progress since 2001, the review rates each project—national, regional, local—by its significance as extensions of the existing waterway system, its heritage and environmental value and/or its contribution to urban and rural regeneration.

13. Among the more significant projects are:

― new strategic waterway links such as the Bedford-Milton Keynes waterway, connecting the BW network with the Fenland waterways;
― the opening up of the Bow Back Rivers in East London as part of the 2012 Olympic project;
― the restoration of the Thames-Severn link via the Cotswold Canals;
― the restoration of important heritage and wildlife waterways such as the Montgomery Canal straddling the England/Wales border;
― the creation of new cruising rings such as the Droitwich Barge and Junction Canals;
― restoration projects which will extend existing major waterways, for example the Lancaster Canal northwards into the Lake District; and
― the restoration of the Manchester, Bolton and Bury Canal, a key element in the regeneration of this disadvantaged area and the restoration of the Bradford Canal, an arm of the Leeds and Liverpool Canal, which will bring a waterway back to life into the heart of one of the few English cities which lacks this amenity.
14. British Waterways is a key player in these and many other projects but it is not yet possible to be certain how Defra funding cutbacks will affect individual projects. BW is not itself a major direct funder because even if resources were available it is unable to invest in restorations and new waterway projects and these rely on third party funding.

Its role, in partnership with local authorities, lottery and regional funding bodies, active voluntary groups and others, has been to provide leadership and drive, professional engineering expertise, fund-raising experience and an outstanding track record in managing multi-million pound restorations such as the Rochdale Canal, the Millennium Link in Scotland and the Kennet and Avon Canal, through to completion in recent years.

15. The Council believes that significant cutbacks in BW funding in the longer term, and the associated anxiety about changes in management structure and responsibilities, must make it increasingly difficult for BW to sustain these essential support roles which cannot easily be replaced from elsewhere. They will certainly inhibit BW from embarking on new projects and committing itself to taking over and maintaining in good order completed projects. None of these prospects augurs well for future restoration and development activity.

16. The Council will be pleased to assist the Committee further and hopes to elaborate on this Memorandum at an oral hearing.

IWAAC
January 2007

Annex A

IWAAC MEMBERSHIP AT 1 JANUARY 2007

JOHN EDMONDS—Chair

John Edmonds is a Board member of the Environment Agency; non-executive Director of the Carbon Trust and of Salix Finance; visiting Research Fellow of King’s College, London; an Honorary Fellow of the Society for the Environment; and Vice President of the National Society for Clean Air. He is a former General Secretary of GMB Trade Union; President of TUC; Co-Chair of the Trade Union Advisory Committee on Sustainable Development; Member of Royal Commission on Environmental Pollution; Member of Executive of European Trade Union Confederation; Forestry Commissioner; President of Unity Trust Bank; and Visiting Fellow of Nuffield College, Oxford.

CATHY COOKE

Area Manager for Derbyshire Countryside Service, Derbyshire County Council: Chair of the Technical Officers Group and an active Member of the Chesterfield Canal Partnership. Former navigation manager of the Chesterfield Canal.

DAVID DARE

Director Cruise England Ltd and Heyford Wharf Ltd. Member BSS Advisory Committee.

DR CHRISTINE JOHNSTONE

Principal Cultural Officer [History] at Wakefield MDC Cultural Services, Fellow of the Museums Association, Former President of the Federation of Yorkshire and Humberside Museums and Galleries, Member of the Board of Directors of the Yorkshire Museums Libraries and Archives Council.

DUNCAN MCGHIE

Has worked for Coopers and Lybrand/PricewaterhouseCoopers as Partner in Charge of Scottish Management Consultancy Practice; WM Collins PLC as Group Finance Director; British Steel Corporation as Scottish Division Board Member Finance.

Other appointments held include Chairman of Scottish Opera; Chairman of Scottish Ballet; Member of the Scottish Executive’s Leadership Advisory Panel tasked with reviewing Scottish Local Government’s Self Review of its political Management Structures; Vice Convener, The Israeli Centres Committee of the Church of Scotland’s Board of World Mission; Acting Chief Executive, North British Steel Foundry; Director, Pan Books; and Chief Executive, Nationwide Book Service.

WYNDHAM MITCHELL

Chartered Town Planner, Chartered Building Engineer. Currently Planning Services Manager at Newport City Council, managing Planning Policy, Conservation, Development Control and Building Control services. Member of the Executive of the Royal Town Planning Institute, Cymru and a Planning Advisor to the Welsh Local Government Association. Member of the Wales Planning Forum. Member of the Planning Portal Editorial Board. Involved in the regeneration of the Monmouthshire and Brecon Canal.
TIMOTHY OSLER

Experienced in marketing communications, client engagement and business partnerships; Executive Committee member of British Interactive Media Association (BIMA). Boating enthusiast for holidays, rallies and festivals and interested in all aspects of inland waterways.

JOHN POMFRET

Technical Director, Planning and Environmental Appraisal, Entec UK Ltd; Fellow of the Chartered Institution of Water and Environmental Management and the Institute of Biology. Member of Council of the Inland Waterways Association and Chairman of the IWA Inland Shipping Group. Director of Essex Waterways Ltd. Former Head Biologist at Northumbrian Water.

BOB WATSON MBE

Director of the charity “Sobriety” Project Ltd. Former Chair of National Community Boats Association; Chair of Waterways Environmental Body; Board Member of Goole Development Trust; Secretary of the charity The Number 5 Compartment Boat Hoist Company Limited.

Fiona Willis

Marine Biologist. Vice Chair of the Scottish Council of Salmon and Trout Association.

Alison Woodhams

Chief Operating Officer at BBC World Service. Other roles at BBC include Group Financial Controller; Head of Internal Audit and Head of Finance, English Regions. Previously at AT&T and Cadbury Typhoo. Fellow of the Chartered Institute of Management Accountants. Trustee of BBC World Service Trust, an international charity, former School Governor and PCC Treasurer. Regular user of inland waterways for holidays afloat and walking and member of narrow boat shared-ownership group.

Witnesses: Mr John Edmonds, Chairman, and Mr Derek Gowling, Policy Manager, Inland Waterways Amenity Advisory Council, gave evidence.

Q183 Chairman: We now have before us witnesses from the Inland Waterways Amenity Advisory Council. Its chairman, Mr John Edmonds, is known to many of us in a slightly different guise. We will not talk here about trade unions but about your other interest. Mr Derek Gowling is policy manager of the Council. You have statutory responsibilities to advise. First, whom do you advise and how? Second, have they taken a blind bit of notice of the views that you express to a parliamentary body about the cuts?

Mr Edmonds: I spent 30 years trying to persuade people who were not showing much interest in what I had to say to listen to me, so I have a wee bit of experience in that area. In answer to your question, the role will change on 1 April. At the moment we are in formal terms an adviser to British Waterways. As from 1 April we shall be a formal adviser to government under the Natural Environment and Rural Communities Act 2006. We will have a new and wider remit and greater authority, and I am sure that the Council is keen to use that extra influence and authority to great effect.

Q184 Chairman: Did it take any notice of your misgivings about the impact of the cuts?

Mr Edmonds: We expressed the misgivings rather more carefully than some other people did, because one of the things we found was that a lot of the debate was conducted without adequate data. For instance, we find that although it is common ground that public investment in the waterways creates a great deal of economic benefit, both locally and nationally, when we come to quantify it the data and economic analysis run out. One of the things that we shall do next year—we have already started the process—is commission some decent independent research into the economic benefits that come from waterways investment. Sheffield Hallam University is working on that at the moment. We intend to produce that work in time to influence the comprehensive spending review. If you ask me at the beginning of next year what influence we have had I shall be able to tell you with great precision, but we intend to inject some real facts into that debate.

Q185 David Lepper: On the question of budget cuts, I believe that IWAAC wrote to the minister in September setting out concerns about the future, particularly in terms of a lower base line being set as a result of the Comprehensive Spending Review. You have already referred to that. What response did you receive from the minister?

Mr Edmonds: I had a lengthy letter explaining that the size of the cuts in percentage terms was really quite small and that the minister could not anticipate future decisions about spending round payments and so on. I took that to be a holding letter, which is the way that we normally express these things. But our concern as expressed in that letter is that any organisation of the size of British Waterways or the Environment Agency can bear cuts of that size for one year. That is not the issue. You delay some major works, and that has been done. In the case of the Environment Agency you postpone some
maintenance. All of that is regrettable but you can live with it, but if you repeat it four or five times in succession you have something much more serious.

Q186 David Lepper: As I understand it, British Waterways’ ambition is to be largely self-sufficient by 2012, which presumably means that more of its income comes from its commercial activities and so on. Therefore, is it not necessary gradually to reduce the funding that it receives from central government sources?

Mr Edmonds: Perhaps I may answer that in two ways. First, whether or not it is necessary the question must be: is it desirable? The work that we have commissioned from Sheffield Hallam University is intended to show what sort of deal the British public and government get from public investment in the waterways. It is an area which has not so far been brought to a conclusion with any credibility, and we intend to do that. The first point is the desirability of it. The second point is that if British Waterways is subject to the sort of financial pressures as hitherto it is likely that it will concentrate, as most organisations in that situation do, on what it regards as its core business which is the maintenance of the existing system and give up massive opportunities to expand and develop the system, all of which is regrettable. But I am sure that you will ask British Waterways in considerable detail what it means by “self-sufficiency”. My understanding is that it does not quite mean what that term normally implies if that word carries its natural meaning, but it means some transfer. One of the things that IWAAC wants to do is find what other opportunities there are to provide finance for the waterways.

Q187 David Lepper: You have already told us about the strategy that you have adopted to try to inform the comprehensive spending review and the research that has been carried out. Are there any preliminary findings that have come out of that research so far about which you can tell us?

Mr Edmonds: We have structured it so that the first stage is completed by the end of April. I do not want to anticipate those findings, but we can certainly let you have them when they are available at the end of April at which stage you will still be conducting your inquiry. We should have the full report by early September.

Q188 Mr Jack: You say that in this research you are looking at the most appropriate and sustainable method of funding, but will you try to define precisely what areas of expenditure ought to be, as it were, national; in other words, there are certain things that we have to pay for without any reliance on commercial income?

Mr Edmonds: I want to avoid confusion. The research that we have commissioned from Sheffield Hallam is to show the economic advantages of the investment of public money in the waterways. That will be part of a wider study of funding which, frankly, is intended to answer precisely the question that you have just posed. What proportion should reasonably be funded nationally from the national exchequer? What should come from local authorities or other funding sources, including national lottery funds and so on? We shall try to put them in some sort of order and give them relevance to particular activities that will take place on the waterways. I am tempted to say that I am sure you will ask local authorities for their view on this matter, but since I understand you will see less of them than you will of us perhaps someone else ought to ask.

Q189 Mr Jack: The Chairman reminded us last week that the one key ingredient currently absent from the normal mix of evidence-providers is local authorities; they have failed to send in any submission.

Mr Edmonds: There is an area here in which IWAAC is deeply interested, that is, the feeling of responsibility that local authorities have for the waterways in their particular areas. One of the other pieces of work we are doing is to construct a database of all the waterways in Great Britain. Part of that database will be to identify for local authorities what their responsibilities and opportunities are. This information is not readily available at the moment, unfortunately, and we are trying to provide it to them. In many cases it is not surprising that some of them do not take as much interest as they ought because I am not sure they have the information that they should have.

Q190 Mr Jack: When will the piece of work conducted by Sheffield Hallam be concluded?

Mr Edmonds: It will produce its final report by the beginning of September, and that is tied to the CSR. That will feed into our funding review and we hope to produce our report by the spring or early summer of 2008.

Q191 Mr Williams: My question might have been better directed at British Waterways, but unfortunately I was not here last week when it gave evidence. You talked about the interest in the waterways on the part of local government. I notice that British Waterways receives some funding from Defra and from the Scottish Executive but none from the Welsh Assembly. Do you know the reason behind that? It seems to me that many of the opportunities in the field of transport, the environment and tourism are devolved.

Mr Edmonds: It is a complicated funding issue.

Mr Gowling: I am afraid that waterways are not a devolved responsibility in Wales.

Q192 Mr Williams: Is the contribution by the Scottish Executive wholly spent within Scotland? Is that a sum of money retained for Scottish purposes, or is it lost in the mix?

Mr Edmonds: We have not had it yet. This is the funding of the new organisation that comes on 1 April. We shall certainly endeavour to reassure the Scottish Executive that its contribution produces at

5 British Waterways gave oral evidence on Monday 12 March 2007.
least that amount of value added in Scotland. We understand the political imperatives in these things and I am sure we will do that.

Q193 Mr Williams: Some figures that we have shown a contribution from the Scottish Executive at least since 2002–03, and I assume that it would have started at devolution.

Mr Gowling: Was that to British Waterways or IWAAC?

Q194 Mr Williams: British Waterways.

Mr Edmonds: You must ask British Waterways in further session. I apologise. I thought that you were talking about the contribution to IWAAC. I am licking my lips with anticipation to a Scottish Executive contribution which should start on 1 April.

Q195 David Lepper: I am grateful for the clarification. I assumed that the final report on the whole research was to be published in September, but you have clarified it.

Mr Edmonds: That is the economic benefits part of it.

Q196 Mr Williams: You said that you are undertaking some research into the contribution that investment in waterways and surrounding land makes to the local and national economy. Do you have any idea of what could be the capacity to increase leisure activities on the waterways? Has any work been done on that matter?

Mr Edmonds: The answer to the second question is none, as far as I know. I sat at the back of the room during the earlier evidence sessions. Some of the indications are already clear. This is not an area that is absolutely stuffed full of data. I think that there ought to be a great deal more information available, and one of the roles of IWAAC is to make sure that information is there. We hope that the research we are undertaking at this stage will identify some of the opportunities. Given the size of the system, we are just producing a report on restoration and development between 2001 and 2006. It has a rather compelling map on which the blue lines represent the existing system and the red or orange ones are the areas that have been the subject of development since 2001. We conservatively estimate that if these particular projects come to fruition—one or two—wrestling with that data will extend the size of the network perhaps by one quarter. Therefore, the restoration activities are enormously important in size, scope and in terms of economic benefit, although we are trying to determine that. We have brought with us copies of the report. It lists all 100 of the restorations and developments and gives an indication of what is involved, what benefits there might be and so on.

Q197 Chairman: Why do you believe it has been so difficult to get hard data? Without disparaging the evidence given to us so far, it is very clear that people have to work anecdotally because there is a lack of hard data despite the fact that some of these

regenerations—Gloucester docks for example—are huge projects in their own right. We know the money but not some of the implications of what will happen if it goes right or what the repercussions will be if it goes wrong.

Mr Edmonds: I am sure that some of the organisations will say that they think they do know. We are not short of estimates of all sorts, but I just do not think that they have been underpinned by proper economic analysis. Frankly, since we are talking about the spending of government money that is something for government to do, or, in this particular case, for a government advisory committee to do. It is probably a bit unfair to complain about the navigation authorities not doing it because this is about the spending of public money for which government is primarily responsible, but here I move into political areas for which I have no mandate, tempting though it is.

Q198 Chairman: But one of the problems here is that the waterways sit in a different department from all other transport initiatives. It has real limitations in terms of how much money it can factor in because it really does not have a relationship with the DTI, for example. In your advisory role is that something on which you comment, or do you just say, “We are with Defra; that is where we have placed our pillow and we must lie on it”?

Mr Edmonds: The first part of my answer is that from 1 April we will get most of our money from Defra, so I suppose that we confront this question with some care. To be frank, there is no perfect fit here. Obviously, the waterways have a transport implication; they have heritage, leisure, recreational and clearly economic implications. You can identify five or six major aspects of the waterways and for the convenience of government they all fall into different departments. There is no perfect fit and you have to go for the best compromise you can get. Speaking personally, there is some good sense in having the environment department as the sponsoring department because when we talk about river basin management the importance of environmental concerns will increase with the Water Framework Directive. I think that that is as good a place to put it as any, but I hope—I do not know for sure—that there will be effective liaison with the Department for Transport and the various other departments that I have mentioned.

Q199 Chairman: Do you have any remit to talk to the Department for Transport?

Mr Edmonds: We have no remit as such, but no one has told us that we cannot, so until they do we shall do it. There is a major opportunity for freight and, frankly, the lead department is obviously not Defra. We shall have to build up a proper liaison there.

Q200 Mr Jack: If you were here earlier you know the answer that I seek. Everybody says that there is freight opportunity here, but evidence we have
received counsels us to be realistic. I get the impression that there is not any hard evidence to work out what the potential would be. I look at paragraph 13 of your evidence. Some of the restoration projects suggest that there could be freight potential, for example obviously the Bowback Rivers and the East London part of the Olympics projects and the area west of the Pennines where there could be similar activity, but there are no numbers or indications of what could happen.

Mr Edmonds: I can give you numbers for the Olympics. We believe that perhaps 2.75 million tonnes of material will have to be transported in for the building of the various facilities. We think it would be very sad if less than half of that came by water. If we have the lock and enhanced navigation it is possible to bring in 350-tonne barges compared with perhaps 20-tonne lorries. The arithmetic is obvious. In terms of the environment and the quality of life for people like me who live in London there is enormous opportunity.

Q201 Mr Jack: The evidence given last week was that the clock was almost at midnight for decisions to be taken about the lock system to enable this potential to be realised. I could not get an impression as to who would sit down and look at the project. I was less able to identify where the money would come from. With the potential staring us in the face as you describe so graphically, why is not somebody rushing to a conclusion?

Mr Edmonds: That was a question I posed to Dick Caborn at a recent Parliamentary Waterways Group meeting.

Q202 Mr Jack: What was his answer?

Mr Edmonds: His answer was that government was making every effort to ensure that this particular project would succeed. I believe that that is the case. I think that there is some bureaucratic problem about freight benefits and so on and reducing the amount of money that the Department for Transport believes it can commit. Frankly, the prize here is so enormous that instead of passing the parcel backward and forwards someone ought to start to unwrap it. Those are the numbers of which I am aware. IWAAC has been to the Olympic site and been briefed there. We did that in December. We had interesting discussions with the ODA and followed them up in letter form. Our suggestion to the ODA was that when placing its contracts it ought to insert a carbon footprint limitation. It is not rocket science; it is not breaking new ground. This is done in Germany and we can do it here. Instead of doing what we usually do in this country, which is to default to road, in this particular case waterways and rail should take up a considerable amount. The ODA says that 50% should go by waterways and rail which leaves 50% to go by road. That seems to me to be excessive. I suspect that when it comes to it it will be 50% plus for road and 50% minus for waterways and rail. Already the aspirations are too low and they ought to be raised. It would be very helpful if the Subcommittee said something very strong on this point.

Q203 Mr Jack: If you have any more detail about the barriers to progress before we write our report that you want to submit, particularly in the light of the fact that you have made a fact-finding trip, that will be extremely helpful.

Mr Edmonds: I accept that invitation with enthusiasm.

Q204 Mr Jack: To move to a slightly wider perspective, if we look at the canal network as it now exists, in your judgment are there any under-exploited corridors that ought to have more freight? One of the problems that we have heard about so far is the conflict between freight and leisure usage. If there is one bit about which people speak enthusiastically it is that leisure usage is going up. There is a potential for freight but we do not know where. Is it realistic in this day and age of in-time deliveries to be looking for significant new flows of general freight traffic as opposed to the specific project-related activity of the Olympics?

Mr Edmonds: I think it is bound to be project-related, frankly. On the council we have a person who is extraordinarily well qualified in this regard and, if I may, I shall ask him to write you a note.

Mr Jack: That would be helpful.

Q205 Chairman: That is a case in point. Last week we received some technical evidence from the Institution of Civil Engineers which was helpful in the sense that it painted the picture as being rather stark. One can talk about freight, but canals were built in an age when the type of economies of scale one now wants in the UK and sees on the continent did not exist. Apart from obvious examples like the Manchester Ship Canal, which is so well known that we do not need to re-broadcast it, it would be good to see what other potential there is.

Mr Edmonds: I shall ask John Pomfret to write you a note.

Q206 Chairman: That would be very useful. We are looking for more precise evidence, and perhaps someone will take the opportunity to visit the Olympic site to see the real potential. As Mr Jack has said, in terms of some of the practical, operational issues the clock is at 12. Clearly, this is about money and commitment, but in practical terms what sort of issue should we be looking to overcome to make this a reality, if it is to be a project-based response to deliver an environmental Olympics?

Mr Edmonds: The sums of money involved at this stage are not too large because so many of the partners have committed themselves to the lock and refurbishment of the navigation. What we now need to do is come to a conclusion and start to undertake the work. The biggest worry of the council after its fact-finding tour was that within the system there was enormous potential for
slippage. You start with grand designs. The whole of the infrastructure of the companies that you choose as your contractors is based on road, not waterways, and so the slippage occurs in the direction with which people are familiar. The best way to get over that is to place environmental requirements in contracts. Provided you do it throughout—I gather there is no impediment to it in EU rules as long as the contracts are fairly based for everyone—that prevents slippage. We all know that the imperative on the ODA is to get the facilities built and make sure everything is ready in time. Obviously, within that particularly restrictive timescale things like the environmental advantage, which was so much part of the original prospectus, might slip away.

Chairman: Gentlemen, thank you very much for your evidence. You said what you said very forcefully and it will be reported in due course. There may be things that you wish to add. We look forward to receiving further information which we will put with the evidence. We look forward to the next session when we will carry on in the same vein. Thank you for coming.

Supplementary memorandum submitted by the Inland Waterways Amenity Advisory Council (IWAAC) (BW28a)

MEETING THE ODA TARGET FOR SUSTAINABLE TRANSPORT OF MATERIALS TO THE OLYMPIC SITE

The Sub-Committee has asked the Council for further information on

“barriers to progress in the Olympic Delivery Authority (ODA) meeting its target for 50% of construction materials to be transported to the Olympic site by sustainable means”

1. As regards access by water, the first barrier is now being removed. With funding from British Waterways (BW), the Department for Transport, the ODA, the London Thames Gateway Development Corporation and Transport for London, work has started on an £18.9 million project in Prescott Channel to construct twin water control gates and a tidal lock to provide non-tidal access both for 350 tonne capacity barges to the Olympic site and for leisure boats, water taxis, trip boats etc during the Olympic period and thereafter. Construction is due to finish in the summer of 2008.

2 The ODA’s Sustainable Development Strategy “aspires” to:

“at least 50% of materials, by weight, to be transported to the Park by rail and water during construction” (source: letter to the Council 29.01.07 from Alison Nimmo, ODA Director of Design and Regeneration).

In our response to this letter, we welcomed the 50% aspiration but commented

“However, while the Council understands the constraints, our own calculations—based on projects by BW—suggest that upwards of a million tonnes could be transported by water. Assuming a substantial transport of materials by rail, the 50% figure could be exceeded by a substantial margin before we get close to the limits imposed by the infrastructure. We very much hope that you will continue to press your contractors to do the maximum possible to make the Games into a model of sustainable construction.”

(source: letter 1.2.07 from Council to Alison Nimmo at the ODA).

On procurement, the ODA is:

“looking to encourage all our contractors to meet, and where feasible, go beyond the targets and commitments which we have made in the Sustainable Development Strategy. Clearly, the delivery of the venues and facilities . . . . . . . . . on time and budget is critical for all our contracting partners. However, we have made a strong commitment to making this the most sustainable Games ever and are working hard to meet this commitment. As part of the draft Procurement Policy published in July 2006, it was highlighted that sustainability would form an important criterion in the award of all ODA contracts and we are following this through with our procurement of all current and future partners” (source: as above).

3. Barriers to maximising the use of the Bow Back Rivers for waterborne freight during the Olympic construction period are, in the Council’s view:

(a) the fact that many construction contractors are unfamiliar with the use of waterborne freight transport, so do not have a good understanding of appropriate sources of materials available for loading to craft or of the availability of commercial water freight operators and their capacity to take on the necessary contracts. This tends to lead to a preference for use of road transport, which is seen as tried and tested and entailing a lower level of business risk. Advice should be available from British Waterways, from Sea and Water, from the Commercial Boat Operators Association and from the Port of London Authority on waterway carriers and suitable sources of supply. The Council would be happy to provide contact details if asked,
(b) the fact that rail and water transport are bracketed together as the sustainable options for freight delivery. The stated intention of ODA, that at least 50% by weight of the imported material should come by rail and water, could be achieved with only a very small proportion coming by water. Unless a target is set for water’s share of the total, there is a danger that contractors will operate a hierarchy based on their knowledge of transport methods. Road will befavoured with first position, rail will come next and, for the reasons given in paragraph (a) above, water will not seriously considered. This will waste the opportunity created by the new investment in the Prescott Channel.

(c) the effectiveness with which the ODA enforces its sustainability objectives and criteria in procuring contracts. This is a question for the ODA.

(d) the pressure of time. The construction deadlines are absolute. Freight access by road is by far the most used and therefore familiar form of transport to contractors and will inevitably become the default option if it is the only way in which construction deadlines can be met. This, again, is a matter for the ODA.

POTENTIAL FOR AN INCREASE IN FREIGHT USE

The Sub-Committee asked the Council for further information on the 
"general potential for an increase in freight use on the waterways network."

1. In brief, the inland freight waterway network in England and Wales comprises:
   (a) the principal inland freight waterways, which are mostly managed by port authorities, including the Thames tideway and branches, the Mersey/Manchester Ship Canal, the Humber and the more seaward parts of the Rivers Trent and Yorkshire Ouse, the Severn Estuary, the Dee Estuary, the tidal Nene to Wisbech and some shorter tidal waterways, mainly in eastern England, on the south coast and in the West Country. These can accommodate vessels of in excess of 1350 tonnes payload;
   (b) the main freight waterways managed by British Waterways, which include the River Lee system, the more inland parts of the Rivers Trent and Yorkshire Ouse, the Aire & Calder Navigation to Leeds and Wakefield, the Sheffield & South Yorkshire Navigation to Rotherham, the Gloucester & Sharpness Canal/River Severn to Worcester and the River Weaver. These generally accommodate vessels of between 350 tonnes and 1,000 tonnes payload;
   (c) a few waterways operated by other navigation authorities, which have capacity for vessels carrying several hundred tonnes, for example the Yare to Cantley (Broads Authority) and parts of the River Great Ouse system (Environment Agency), but no freight use at present;
   (d) smaller waterways accommodating vessels of not more that 100 tonnes payload which are mainly used for recreational vessels. Such waterways comprise the majority of the British Waterway network.

2. According to the latest Government statistics, total traffic on the UK inland waterways network in 2005 amounted to 48.7 million tonnes lifted and total freight movement of 1,600 million tonne-kilometres. This traffic comprises:
   (a) traffic with its origin, route and destination entirely within inland waters accounting for 3.4 million tonnes lifted and 200 million tonne-kilometres of goods moved. After remaining relatively stable from 1998 to 2002, after a period of significant decline, internal traffic fell further through 2003 and 2004, a major part of this reduction being loss of coal traffic to Ferrybridge Power Station (due to changed sourcing of coal by the power station for reasons of sulphur content, not any failure of waterway transport to deliver an appropriate level of service). However, the 2005 statistics show a welcome response to the positive developments detailed below, with an increase from 2.6 million tonnes in 2004 to 3.4 million tonnes in 2005;
   (b) traffic entering inland waterways from sea in vessels from other UK ports. The statistics identify genuine inland penetration of river-sea ships, excluding journeys which are essentially seagoing traffic to and from major seaboard ports. Thus traffic included in the inland waterways statistics is in direct competition with land based modes, over the whole distance in the case of journeys from other mainland UK coastal or inland ports. Such ‘coastwise’ traffic accounts for about twice as much tonnage on inland waterways as purely internal traffic. This traffic also saw a decline in 2003 and 2004 but the 2005 data show a strong recovery;
   (c) traffic entering inland waterways to or from foreign coastal or inland ports or offshore operations (eg oil rigs, sea dredging sites). Again the statistics exclude essentially maritime operations, so traffic included in the inland waterways statistics is in direct competition with land based transport modes during its passage along the inland waterway. Some of these foreign traffic are carried by waterway to and from ports well inland in continental Europe, sometimes in a single ship

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7 A tonne-kilometre is the movement of freight achieved when one tonne of cargo is transported one kilometre. Thus, for example, a journey of 10 kilometres by a barge carrying 500 tonnes represents a moment of 5,000 tonne-kilometres.
movement from, for example, Paris, Maastricht, Liège or inland ports on the Rhine, or via transshipment to or from barges from a wide range of locations. Foreign traffics in seagoing vessels account for over 60% of freight carried on UK inland waterways.

(d) Dry and liquid bulk cargoes remain important on inland waterways, with volumes of both increasing after the low point in 2003–04. However, the wider trend of greater use of containers in transport is mirrored on the inland waterways, with unitised (essentially containerised) cargo tonnages rising rapidly and general cargo declining. Unitised cargo now accounts for about a quarter of freight movements (both in terms of tonnage and tonne-km) on UK inland waterways. Agricultural (grain), steel and forestry products also feature significantly.

(e) Most of the traffic, both internal and seagoing is carried on the UK’s tidal inland waterways, of which the Thames tideway system is by far the most important. Other major areas of activity in England and Wales are the Humber based waterways (including the non-tidal Aire & Calder system) and the Mersey system, (including the non-tidal Manchester Ship Canal). The only other non-tidal waterway with sufficient traffic to feature in the statistics is the River Severn, where aggregate transport has recently started after a period when no significant use was made of the waterway for freight.

(f) In summary therefore, inland waterway freight traffic in the UK appears to be increasing again after a period of decline, demonstrating continuing demand for transport of dry and liquid bulk cargoes (quarried materials, cement, grain, oils etc) and a rapidly increasing demand for transport of containerised goods. This is concentrated on the larger waterways in larger vessels.

3. As an island nation with a long coastline, the UK makes significant use of coastal shipping between UK ports to satisfy its internal freight transport needs (this amounted to 65.1 million tonnes lifted and 39,400 million tonne-km of goods moved in 2005). In terms of goods moved, coastal shipping performs about 15% of total freight transport undertaken in the UK, compared with 64% by road and 9% by rail. Most heavy industries in the UK are now situated on the coast to facilitate use of coastal and foreign-going shipping.

Thus comparisons between waterborne transport operations in the UK and those in more landlocked countries in continental Europe with less access to coastal shipping must be made with care. Nevertheless, some useful indications as to the potential role of inland freight waterways in the UK can be drawn from continental experience, for example:

(a) Lille is about the same distance by inland waterway from Dunkerque as Leeds is from the Humber ports of Hull and Immingham, with a similar number of locks along the route. The waterway to Lille was enlarged in the 1960s to accommodate vessels up to a maximum of 3,000 tonnes payload. The Port of Lille is now France’s third biggest inland port, handling over a million tonnes annually of waterborne freight, including container traffic amounting to 40,000 TEU per year. It is served by a regular container barge service from Dunkerque in 1,500 tonne vessels taking 78 containers each. This demonstrates that, given adequate infrastructure, transport of containers by barge can be highly successful over short distances such as would be relevant to the UK waterways;

(b) routes between northern France and Belgium have been increased in gauge from Class II waterways (accommodating vessels up to 650 tonne capacity—a similar size to those which can reach Leeds and Rotherham) to Class IV (accommodating 1,350 tonne capacity barges) by a programme of gradual removal of bottlenecks while maintaining use of the system, and traffic is growing, including use by container barges. This demonstrates that waterway enlargement can provide a viable and environmentally friendly modern transport mode, provided the resultant waterway is big enough. This is in contrast to the situation with the enlargement of the waterway to Rotherham in the UK in the 1980s, which was too small;

(c) in Paris, the advantages of reducing freight traffic passing through the conurbation have been realised by supplementing the main Port of Paris site at Gennevilliers, downstream of the city, by another major site at Bonneuil sur Marne, upstream of Paris. This has been very successful and is expanding as a multimodal terminal handling containerised and bulk traffics, with expansion of facilities approved this year. Container traffic through the Port of Paris increased by 8% in 2006. A similar approach would be equally relevant in London, with its large capacity waterway the Thames, if a suitable site could be identified in west London and planning objections overcome;

(d) confidence in waterway transport is demonstrated by the recent support given by the French Government to an upgraded waterway link between the Seine and the Lille area, expected to cost about 3,500 million euros and currently moving through the permitting and public inquiry process.

4. Various studies have been carried out recently in the UK on the potential for use of UK inland waterways for freight, including the following.

(a) A report was produced by AINA in 2001 (A Strategy for Freight on Britain’s Inland Waterways). This was wrongly titled in that it explicitly excluded consideration of shipping opportunities associated with the estuarial waterways and ship canals, where it accepts that the bulk of any increase in traffic would occur. It covered waterways from the smaller narrow canals

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8 TEU—twenty foot equivalent unit.
accommodating boats of a maximum 25 tonnes capacity to waterways such as the Aire & Calder Navigation, accommodating 700 tonne vessels. AINA concluded that there were no realistic opportunities for making a significant impact on the national freight transport picture by transfer of freight to smaller waterways, with a maximum vessel capacity of less than 100 tonnes but that these waterways had a potential role for niche markets on a local basis.

(b) The Freight Study Group, set up by the Government following publication of Waterways for Tomorrow, produced a report in 2002 entitled Freight on Water: A new perspective. This identified a “real demand for freight on the inland waterways, mainly in the traditional high volume, low value cargoes on the larger navigations” but identified some factors inhibiting this, “such as the condition of the infrastructure and vessels, the shortage of skippers and crew, and the approach adopted to freight by some navigation authorities”. They recommended greater Government encouragement for freight on inland waterways, that freight should be part of the remit of navigation authorities, that waste authorities should look to use of waterways and that the planning system should be more positive towards use of waterways for freight. They also proposed improvements to waterway infrastructure, better regulation of vessel standards and crewing and identified the need for active marketing of waterways for freight. This report led to the establishment of Sea and Water, as a promotion centre for short-sea and inland waterway freight transport.

(c) The West London Canal Network Study, undertaken by Peter Brett Associates in 2005, for BW and Transport for London, examined opportunities on the Grand Union an Regents Canals (but not the Thames) in the west London area. They concluded there was a shortage of suitable sites for significant freight transfer along the canals, although there were many sites where small scale simple loading/unloading operations could occur. They identified opportunities for waterway transport of waste and recyclables and of construction materials and concluded that the main opportunities were on lock free lengths of canal.

(d) The Midlands Freight Quality Partnership and BW are currently undertaking a study on freight opportunities on smaller canals where there are long levels and few locks and where there is a network of canals in an urban and industrial area.

(e) BW have undertaken confidential studies on Aire & Calder Navigation on the possibility of establishing container traffic to Leeds and have acquired use of a wharf in Leeds for this purpose.

(f) The Department for Transport has carried out studies on the potential of inland waterways for transport of abnormal indivisible loads (AIL) and supported construction of a specialist vessel for this use. Several successful movements of AIL for the electricity industry have been undertaken.

5. The Council’s conclusions from these studies and its own observations are that there are undoubtedly opportunities for transfer of more freight to the waterways, although significant tonnages can only be accommodated by the larger waterways and transport will normally only be competitive with other modes in vessels of 300 tonnes capacity or more. However, smaller vessels may be viable where other modes experience significant constraints (eg from sites with poor road access).

Traffic to and from sea in river-sea ships is likely to remain an important component of UK inland waterway freight.

It is clear that containerised traffic is continuing to form an increasing part of the transport market and inland waterways facilities must be developed to accommodate such traffic, if inland waterways are to make a significantly increased contribution to UK freight transport in the future.

There are niche opportunities, particularly for waste and construction materials, on the smaller waterways, particularly (but not exclusively) on lock free lengths, which may have local significance.

6. The Council considers that there are a number of very positive signs of an increasing awareness of the potential for greater use of the waterways and this is assisted by increasing environmental awareness and pressures. Recent encouraging signs in UK include:

(a) Sea and Water has been created and funded, although it is important that it maintains a role as an active promotion centre;

(b) more guidance is now available, particularly AINA’s guidance on Planning for Freight on Inland Waterways, but there is still an ongoing need for active dissemination of the guidance and implementation of its recommendations by planners;

(c) wharves on the Thames in London have been safeguarded;

(d) the steelworks at Rotherham are at last being served by barges via a dedicated wharf;

(e) the canal to Rotherham is accommodating a new oil traffic in 700 tonne vessels;

(f) a waterside energy from waste facility has been approved at Belvedere; this will allow continued use of Thames for transport of a significant proportion of London’s domestic waste;

(g) aggregates are being successfully transported on the River Severn—the first freight on this waterway for some years;
(h) a carrier has invested in new oil tanker barges for use on the Aire & Calder Navigation in Yorkshire;

(i) a container feeder service has started to operate to Manchester end of the Manchester Ship Canal, using temporary facilities, and proposals for a new, multimodal terminal (Port Salford) to accommodate such traffic are progressing well;

(j) small scale traffics have been established and are being developed on the Grand Union and Regents Canals in London, including aggregates from Denham, waste to Old Oak and construction traffic to Kings Place;

(k) the new Prescott Lock on the Bow Back Rivers has been approved (see earlier in this note);

(l) proposals for a new inland port at Weston alongside the Manchester Ship Canal and the Weaver Navigation are being promoted, with the support of the local authority.

7. While it is clear from experience elsewhere and examples of successful waterway traffics in the UK that inland waterways can provide viable and economically friendly freight transport, a lack of active promotion, continuing absence of an effective national freight transport policy and lack of funding have led to a number of barriers, including:

(a) a lack of confidence by industry—who do not think of water as a modern transport mode so often do not even consider it as an option;

(b) planning difficulties—freight wharves tend to be seen as a bad neighbour industry and establishing new wharves in competition with other development pressures is often very difficult;

(c) a lack of appropriate development of waterway infrastructure, for example increasing headroom at bridges;

(d) a lack of promotion of waterway freight by some waterway authorities and some carriers—in particular the Council regrets BW’s abandonment of its central freight promotion function;

(e) craft availability—there is a perception that availability of suitable craft is a constraint, although vessels can be moved easily from other areas, including the continent, and this is often less of a problem in reality than it is perceived to be;

(f) a lack of trained crew in some areas, due to a lack of training schemes and probable deterrence of new entrants by the outmoded image and practices of some sections of the barge industry.

8. The Council supports the increased use of the inland waterways for freight transport but feels that the realisation of their full potential will depend on the extent to which barriers can be overcome by:

(a) better promotion—Sea and Water could play a major role here;

(b) stronger support for waterborne freight through planning policy;

(c) greater consideration of waterborne freight transport in policy making at a regional level;

(d) better availability of grant aid for infrastructure and craft—because there is no other mechanism at present to pay for the environmental benefits of waterway transport;

(e) ongoing removal of bottlenecks on key waterways (for example increasing headroom on the Aire and Calder Navigation);

(f) continuing modernisation of the carrying industry.

John Pomfret  
Member of IWAAC

John Edmonds  
Chair of IWAAC

April 2007
Ev 56  Environment, Food and Rural Affairs Committee: Evidence

Monday 12 March 2007

Members present:

Mr David Drew, Chairman
Mr Michael Jack
Sir Peter Soulsby
Mr Roger Williams

Memorandum submitted by Sea and Water (BW 13)

INTRODUCTION

1. Sea and Water was set up in 2003 to provide a representative voice for the inland waterways, short sea and coastal shipping industry, and to promote water freight as a viable alternative to the movement of freight on the UK’s roads. Sea and Water provides information to its supporters, communicates the case for modal shift to other stakeholders, highlighting its benefits to the environment, economy and society, and addresses the barriers that prevent the greater take up of water.

2. Sea and Water is funded by a grant from the Department for Transport and annual subscriptions and sponsorship from a body of 130 supporters comprising the water-freight industry in the UK. Many of our supporters are users of inland waterways and their views are incorporated into this submission of evidence.

3. British Waterways provides a major part of the water freight infrastructure. It is also an important supporter of Sea and Water. The policies it adopts, and the resources it uses, have the potential to substantially affect our sector.

4. We are therefore delighted to submit evidence to the Environment, Food and Rural Affairs Committee. We would be very happy to amplify any of the points we make here either in writing or in oral evidence to the Committee.

POLICIES ADOPTED BY BRITISH WATERWAYS: PRIORITISING WATER FREIGHT

5. British Waterways is responsible for managing and maintaining more than 2,000 miles of canals and rivers in England, Scotland and Wales. It is engaged in three principal areas of work:

- Leisure activities: encouraging visitors to waterways, and boating.
- Commercial activities, including property development—British Waterways has a property portfolio of £500 million plus.
- Promoting freight: by marketing waterborne freight.

6. These activities inevitably conflict from time to time. Leisure users and heavy freight traffic do not always readily mix. Waterside-property development can limit access for freight users to wharfs and docks. Where development takes place it is a common and understandable reality that residents are less than keen on the operation of docks and wharves for freight activities nearby.

7. British Waterways has finite resources. Therefore it has to prioritise how it spends those resources. Our concern is that although British Waterway has a target of doubling freight transport on its network by 2010, where there is competition for resources it is very often leisure and property that is prioritised, rather than freight. This is reflected in the six success measures of the organisation set out in its Annual Report:1 these refer explicitly to visitors and to regeneration, and not at all to freight. It is also reflected in the fact that British Waterways has no Director specifically sponsoring its freight interests, and that it has had only two full-time employees dedicated to freight (who are now leaving—see below).

8. Our concerns have been brought into focus by the budgetary constraints faced by British Waterways recently, and by its decision in the past few months to review its freight policies.2 It has noted that grants available to encourage water freight “do not take account of the costs that such traffic imposes on British Waterways”, and questions whether the commitment it has made to double freight traffic is realistic. The study commissioned by British Waterways is expected in the New Year, and that will “give the opportunity for a full and realistic public debate on the future of waterway freight and British Waterway’s role”.3

9. We too look forward to that debate, though we are concerned that some participants including British Waterways believe its outcome is predetermined. After all, focusing on property and on leisure rather than freight is a rational choice for British Waterways, as is shown by the income flows each activity generates.

1 See Annual Report and Accounts 2005–06, p 3.
3 See: http://www.britishwaterways.co.uk/images/Board—Minutes—September—2006.pdf
But any diminishing of the importance of freight, particularly as a result of an overall reduction in the money available to British Waterways, is unfortunate and damaging given the Government’s overarching commitment to address the challenges of climate change—and the particular enthusiasm to reduce the amount of carbon that is emitted from transport.

10. Water freight has a very significant role to play in meeting that need, since coastal and inland shipping emits 80% less carbon dioxide per tonne kilometre than road haulage. It also helps to relieve congestion where modal shift occurs. Sea and Water believes that British Waterways should find a way to balance its priorities, and should be given the budget by Government to help it to do so. The organisation needs to reaffirm its commitment to freight. We look particularly for an annual performance measure for the organisation relating to the carriage of freight on its waterways.

RESOURCES AVAILABLE TO BRITISH WATERWAYS

11. British Waterways is sponsored and part-funded by the Department for Environment, Food and Rural Affairs (Defra). The difficulties faced by Defra that have led to budget cuts at British Waterways are well-known, and we do not seek to rehearse them here. However, Sea and Water does not regard it as reasonable to cut back other, wholly-unrelated, services at British Waterways primarily because of problems in another organisation altogether.

12. The impact of the cut in funding to British Waterways of £3.9 million has been to further undermine its support for water freight. Our concern is not only that necessary work such as dredging will be delayed. It is also that the compulsory redundancies announced in October mean that the very limited freight “unit” based centrally within British Waterways will be disbanded, and responsibility for freight passed to regional offices. Though there are “champions” of freight in the regions, we are concerned that these staff must juggle other responsibilities and demands. They also necessarily lack the expertise of the two centrally-based staff who will be leaving. Sea and Water believes that this will further “de-prioritise” freight within the organisation, and believes that it is a decision that should be urgently revisited.

13. In general, we believe that Defra risks undermining its own key priority, addressing climate change, by cutting funding to British Waterways. Water freight can prompt modal shift, which in turn significantly cuts carbon emissions. Any cutback to the support which allows freight to use the canals and rivers managed by British Waterways, will constrain that modal shift—and may indeed encourage existing water freight users to shift back to the roads. This would be a perverse outcome, and we urge Defra to reconsider the way it has applied cuts to British Waterways.

14. Water freight is an existing and potential income stream for British Waterways. Its current policies do not reflect the point that new freight transport business could be won and existing business maintained and developed. A case in point is the use of the Severn River for the transport of freight for the first time in 10 years in 2005; a service that is not fully up and running yet and provides a sustainable waterway for CEMEX and a potential revenue generator for British Waterways.

GOVERNANCE OF BRITISH WATERWAYS: THE NEED FOR A JOINED UP APPROACH

15. In our view, the approach adopted by British Waterways is in a large part the result of the way it is governed. Its sponsoring department is Defra, rather than the Department for Transport (DfT), which perhaps takes a more active interest in freight transport issues. The Department for Communities and Local Government (DCLG) also has an interest in British Waterways, given its role in regeneration, development and planning. And in the regions, RDAs (and in London the GLA and LDA) all have an interest.

16. Sea and Water is concerned that although all these various institutions undoubtedly communicate with one another, there is still much more that might be done to properly “join up” decision-making. This concern extends more widely than just British Waterways, to policy-making about water freight as a whole.

17. Sea and Water believes that there is a case for Defra, DfT and DCLG in particular to set up a shared “water transport unit” to cover inland waterways and coastal shipping. There is a case for this shared unit to take responsibility for British Waterways: we believe that if it did so British Waterways would be better placed to achieve a balance between all of its priorities, including freight.

SUMMARY OF OUR EVIDENCE

18. Sea and Water believes that British Waterways suffers from having conflicting priorities, and that where conflicts arise it is water freight that loses out. Recent cuts to the British Waterways budget have only exacerbated the problem. The recent decision to review its freight policy, and remove its core freight-marketing staff, demonstrates the point.

19. Given the potential of water freight to reduce carbon emissions from transport, any decision by British Waterways to step back from its role in delivering facilities for freight will in the end undermine and damage Government’s efforts to address the challenge of climate change. This is particularly regrettable if such a decision is forced on British Waterways by increasing constraints on its funding from Government.
20. We believe that there are improvements that can and should be made to the priorities of British Waterways, to the resourcing of the organisation, and to its governance, that would enable it to give a higher priority to water freight. That would then encourage the organisation to facilitate modal shift from road to water, reducing carbon emissions and helping to address the key economic and environmental challenges of climate change and congestion.

Sea and Water
January 2007

Memorandum submitted by the Commercial Boat Operators Association (BW 42)

1. Who We Are and What We Do

1.1 The Commercial Boat Operators Association (CBOA) is a trade association representing firms which carry cargo and provide engineering services on Britain’s inland waterways. We have 175 members, including associates.

1.2 Department for Transport statistics showed that 48.7 million metric tonnes were carried on the waterways in 2005 including the inland part of major estuaries. Only about 1.75 million tonnes were carried on the waterways operated by British Waterways.

1.3 Cargoes carried include aggregates, fuel oil, rice, steel industry materials and products, residual domestic waste, abnormal indivisible loads (such as power station generators) and bagged domestic coal.

1.4 Many operators’ craft can carry 500 tonnes or more—taking the equivalent of 25 20-tonne capacity lorries off the road.

1.5 Water transport can play an important role in reducing lorry traffic. If is far more environmentally friendly:
   - Emits 80% less CO2 per tonne kilometre than road haulage.
   - Is a far better user of energy resources.

1.6 Road congestion is an increasing problem for industry, regardless of pollution aspects. In congested urban areas in the conurbations and elsewhere, water transport can help to relieve congestion.

2. Our Relationship with British Waterways (BW)

2.1 Whilst in general we have a good and harmonious relationship with BW, especially with members of its Freight Department, we have certain issues with the organisation. Recently BW published on its website what would appear to amount to a policy declaration in which they made certain assertions about the freight traffic over BW’s waterways, to which CBOA takes exception. In particular we challenge the assertion that freight costs BW £1 million a year and doesn’t pay. To this we would make the following comments:

(a) How is this figure arrived at? It seems very high in view of the fact that the waterways concerned are used by other, leisure, traffic. If the cost of employing lockkeepers is included in this figure is this allocated directly to freight costs? If so, then it is unfair to blame freight for subsidising other users.

(b) Why should BW expect freight to pay for itself? None of its other navigation based activities do so (pleasure boating, fishing, towpath usage etc), and it is accepted that the leisure use of the canal system is a worthy reason for maintaining it as a navigable system. The rail freight track doesn’t pay for itself, nor do the roads. It is this fact that underlies the proposal for road pricing.

(c) BW maintains that it has to dredge for a new traffic without knowing how long the traffic will last and that the dredging is the same for one barge as for 20. (They contrast that with a property investment with known income). Our reply to this is that if the traffic has a Freight Facilities Grant (FFG) attached, then that gives some security that the traffic will last; in any case BW has a statutory duty to keep to the standards laid down in the Transport Act, 1968.

2.2 So far as the smaller waterways are concerned, our members’ main activities here are concerned with the retail of solid and liquid fuels. These activities are perennial ones, but are particularly vital during the winter months, which are a period nowadays used by BW for maintenance stoppages. While CBOA acknowledges the need for these stoppages, and also acknowledges that much has been done in recent years to secure alternative routes avoiding them, it has to be said that much is still unsatisfactory. Increasingly customers are persons who live aboard their craft all the year round. As house prices increase and as more people take early retirement, so the numbers of what have come to be called “liveaboards” increase. These all require servicing with fuels and other retail commodities. Furthermore it can be shown that if the smaller waterways are maintained in a state fit for these smaller loaded craft to pass, they are equally fit for the larger leisure and residential craft that are rapidly becoming the norm. Thus the argument that freight transport puts an unreasonable burden on BW on the smaller waterways is not valid. If BW is to accept the larger
leisure craft it makes little or no difference to the maintenance standards required to accept loaded freight vessels. It has long been accepted that on most canals the passage of deep drafted freight boats helps keep the channel clear and reduces the need for dredging on any waterway.

2.3 Another area where CBOA finds itself at odds with BW is the continued pressure upon wharves and waterside sites for redevelopment. We appreciate that the redevelopment of much waterside land has helped provide funds for BW’s core work, but we take issue over whether these activities have been allowed to flourish at the expense of freight activities. The part that the waterway system might play in relieving road congestion is seemingly never taken into account when such developments are authorised. A case in point is the redevelopment of the Brent Meadow site in West London. This could have made a superb modern inland terminal for waterborne freight, with direct access to the motorway and rail networks as well as tidal water, but it has instead been developed as a residential area right under the flight path for Heathrow.

2.4 CBOA feels that the planning process could play a significant role in facilitating the development of waterborne freight carriage. Documents such as “Planning for freight on inland waterways “highlight the fact that there is much guidance issued by the Government which if applied would assist in the development of waterborne freight carriage. One of the reasons why this guidance has not resulted in a significant increase in tonnage carried is that British Waterways are more often than not the only body consulted by local and regional bodies when they are drafting regional and local strategies. And as freight is not high up their agenda opportunities are being lost. An example of this is the redevelopment of Diglis Basin on the Severn where the planning authority spoke to no-one regarding the impact of the redevelopment of the last remaining freight wharf in Worcester. This was due to the fact that the applicant for the planning permission to redevelop the site was British Waterways itself.

2.5 CBOA feels that there is also considerable scope for improving BW’s relationships with other navigation authorities, notably the Environment Agency (EA). EA’s role has seriously inhibited our members from developing retail activities as described in 2.2 above on the Upper Thames. Yet the Upper Thames forms a link between three BW navigations (the Grand Union, Kennet & Avon and Oxford Canals) and two independent navigations (the River Wey and the Basingstoke Canal) and two more potential restored navigations (the Wilts & Berks and Thames & Severn Canals). Whilst we do not claim that large scale freight will be attracted to all of these navigations, we are concerned that business opportunities are denied to our members through what essentially amounts to red tape. Should development of a Grand Union to Fens link take shape we would make the same comments regarding the potential for either localised freight or retail operations. A single licence for freight operations rather than the payment of mileage tolls would seem to be an obvious step forward.

2.6 We are not satisfied that the complete responsibility for BW, certainly for any transport function, should rest with DEFRA. Rather we feel it would be more appropriate were the promotion and investment in new freight facilities should sit with the DfT. The commercial waterway network is a transport system and should be managed and funded accordingly. We would hope that the Government would consider a committee of enquiry to specifically look at who within government should be responsible for British waterways. It is clear to us that unless the DfT take a more proactive role freight will never be any higher on the priority list for British Waterways.

2.7 The DfT have been instrumental in supporting the Sea and Water (S&W) Agency; supplying about 66% of the Agency’s income; this is welcome, but it must be borne in mind that S&W do not get into the physical business of getting freight onto water and need to be expanded. It may be argued that the carriers should promote water transport themselves, as does the Rail Freight companies, but CBOA would reply that the water freight industry is very largely comprised of small operators, often one-man businesses, and it does not have the resources of larger freight operators. This is a result of historical factors that it is not possible to go into here. CBOA itself is a voluntary association. It has in the past canvassed traffic, but is not essentially a freight agency. BW is in the unique position of being able to assist in such promotion. This was of course the case both before and after nationalisation, when such operators as the Grand Union Canal Carrying Company and its nationalised successors vigorously sought and promoted freight traffic.

2.8 There are other agencies involved in water freight promotion. Yorkshire Forward has incorporated the Yorkshire waterways into its transport policies and is currently funding research into the cost of bringing container barges to Leeds; it is also listing wharves in its area. CBOA contends that such Agencies should be encouraged to work closely with BW at all levels in order to promote freight usage.

2.9 CBOA is not convinced that BW has done enough to attract new freight to the waterways. Currently the Freight Department is in danger of being disbanded, and hitherto it has been treated very much as a poor relation. We are aware that BW has appointed “freight champions” at regional level, but this we contend is a mere palliative. The getting and maintaining of freight contracts is a somewhat specialised and time-consuming process. The “Freight Champions” are merely given this requirement as an addition to their other responsibilities, and (so far as we are aware) have little or no experience of or expertise in freight transport, so it is not surprising that in the main the results have been negligible. We are aware of individuals within BW who have the undoubted ability to do this job, and who have delivered some freight contracts, but they have not been given the backing, nor the resources to do more than scratch the surface. The fact that there are no Board members with logistics expertise we believe highlights the fact that freight carriage is not a high priority. There is expertise in other areas of British Waterways activities but not freight. Why is that?
2.10 There is currently an undoubted opportunity in East London for the development of freight contracts in connection with the 2012 Olympics. Given the right sort of encouragement this could have an invigorating effect on freight prospects elsewhere. CBOA believes that short haul freight is viable in certain circumstances in many urban areas, especially those where there are long stretches of lock-free water. Such conditions exist in West London, in the Birmingham/Wolverhampton corridor, the Manchester/Wigan/ Runcorn area of Merseyside/North West and between Coventry, Nuneaton and Atherstone in North Warwickshire.

3. CONCLUSION

In conclusion CBOA feels that this is not the place wherein to expatiate upon the advantages of inland waterway freight transport. This has been done already and by the Government in several publications. It does however feel that in spite of earlier promises by the current administration to increase the volume of freight traffic on the inland waterways, not nearly enough has been done, either by Government or British Waterways.

The Commercial Boat Operators Association
January 2007

Witnesses: Mr Gavin Devine, Director, and Dr Heather Leggate, Director, Sea and Water, Mr John Dodwell, Chair, and Mr Tim West, Parliamentary and Local Government Liaison, Commercial Boat Operators Association, gave evidence.

Q207 Chairman: Good afternoon, everyone. Welcome to the third session of the Sub-Committee's investigation into British Waterways and associated issues. Our first session is one which is going to really concentrate on freight for commercial uses. We have got four witnesses, Dr Heather Leggate, Director of Sea and Water, Gavin Devine, Director of Sea and Water, well known to some of us, Mr John Dodwell from the Commercial Boat Operators Association, who is the Chair, and Mr Tim West, who is the Parliamentary and Local Government Liaison. If I could start with a general question to all of you. I think one of the things which struck us in the evidence we have taken so far, both oral and written, is that there seems to be a very different view on what potential there is to be gained from investing in greater use of freight on the inland waterway system. If I am a potential investor, what would you say to me are the advantages of me moving my operation from road to water or, indeed, even from rail to water, Mr Dodwell?

Mr Dodwell: I would ask you first, Chairman, where your business was and the reason is this. I think you can split the waterways broadly into four categories. You have those off the estuaries, you have what are the British Waterways’ commercial waterways, the Aire and Calder up to Leeds, another one up towards Rotherham, the River Trent, the River Weaver, the River Severn and such like, and then you have the smaller waterways. The smaller waterways are limited in some cases to seven-foot widths which gives you a payload on the craft of about 20, 25, if you are lucky 30 tonnes and in considering moving that a long distance the labour economics are against you. However, if you are moving it within an urban congested area, such as London or Birmingham, both of which now have got freight quality partnership studies going on on what can be moved, then it is a completely different matter. Coming back to your basic point, I would say to you “change because it is cheaper”. There are cases at the moment, Bayford Fuels takes oil up to Leeds because it is 20% cheaper. We have a large amount of aggregates being moved around the country. The aggregate industry is known for a low cost product and, therefore, transport costs have to be low and they do it because it is cheaper. There is obviously the environmental argument which perhaps Heather would like to expand on.

Dr Leggate: Clearly there are other concerns as well for businesses, and John has just mentioned the congestion issue, there is also the environmental issue.

Q208 Chairman: Can you perhaps outline for us what further environmental changes would make marginal waterways really come into the game plan of government and business for much greater use as a freight vehicle?

Dr Leggate: I am not sure we are talking about environmental changes but certainly when you look at the statistics, inland waterways as a form of transport is more environmentally friendly than road and, indeed, rail in terms of carbon emissions and nitrogen oxide. This is appealing to a number of players in the corporate sector in terms of their corporate and social responsibility strategies, and they are looking at the water because of the environmental impact and also in terms of congestion because congestion is becoming such a problem in terms of the roads and lorries on the roads. In fact Sea and Water did a survey which is about to be published of business attitudes to water freight.

Q209 Chairman: Is it possible that you could send us a copy of that because that would be quite interesting?

Dr Leggate: Yes, I can.

Mr Devine: I was only going to echo what Heather said. The point about water freight being a much smaller emitter of carbon is well known: the figure is somewhere between a quarter of the emissions and 20% of the emissions of carbon per tonne kilometre
by comparison with road. As Heather says, that is increasingly attractive to a number of players and not just in the traditional sectors of aggregates and waste and so on, but also in the retail sector for products that are not time-sensitive. Even for products which are time-sensitive, the great thing about inward waterways is you can be very certain about when things will appear, which is not necessarily the case when they are transported by motorway.

**Chairman:** Let us look at one particular potential use and that is the Olympics, Michael.

**Q210 Mr Jack:** I was interested to see in the CBOA’s evidence that you say in paragraph 2.10: “There is currently an undoubted opportunity in East London for the development of freight contracts in connection with the 2012 Olympics”\(^1\), and then, low and behold, on 28 February British Waterways issue a glowing press release giving us lots of numbers and telling us how it is all going to be absolutely wonderful and there are lots of opportunities. What do you make of this press release? Is it reality? Is it going to happen? Is it going to realise the potential or not?

**Mr Dodwell:** Yes, is the answer.

**Q211 Mr Jack:** Good, we will move on to the next question then!

**Mr Dodwell:** Perhaps the reason why it is going to happen is that it is a good example of everybody pulling together. In the press release you can see the Olympic Delivery Authority mentioned, Transport for London, the local development corporation and, also, organisations like ourselves, Sea and Water and a whole host of other people, including Members of this House, have joined in putting the pressure on to get that lock built. The contract has been placed for the work, so yes, it will happen. That lock will be built to take barges which can take 350 tonnes. The next thing is to make sure it is actually used. I can give you what I hope is some good news, which to us means there is a 15-year development phase, and that is approximately 140,000 lorry journeys to be taken off the roads—and that is 4,000 tonnes of carbon.

**Mr Devine:** The capacity is up to 7,000 tonnes of construction materials a day during the construction phase, and that is approximately 140,000 lorry journeys to be taken off the roads—and that is 4,000 tonnes of carbon.

**Q213 Mr Jack:** I raise a speculative thought that there ought to be a mechanism of giving you some carbon credits which could be sold or valued to recognise the transfer to help pay for this type of investment. Has anybody done any kind of clever work? For example, could this be part of the EU Emissions Trading Scheme?

**Mr Dodwell:** I saw in the previous evidence you raised the point, Mr Jack, so I am pleased to have a chance to answer it. So far as I am aware, in the whole transport sector there is not the equivalent of carbon trading as there is, for example, in power stations. There may be a lot of commercial reasons why people would resist having a carbon trading scheme but it exists in other industries and I would welcome the EU pushing it into the transport sector because there are significant carbon advantages, as you have heard from Gavin.

**Q214 Mr Jack:** Let us move on because that same paragraph which you wrote enunciated what you gave in your introductory comments about those parts of the canal system which you thought had the best chance of developing new freight movements, but what was lacking was any indication as to the potential in terms of tonnage or substitute road movements. I think one of the frustrations is—and I know British Waterways are going to give evidence now—if I look at page 30 of their annual report, effectively what we have got is about a quarter of a page throughout this quite big document which is devoted to freight and that is it. You think there is potential, what is it? Do you think BW are committed enough to realising that potential?

**Mr Dodwell:** In terms of potential, let’s look at three recent traffic. By recent I mean in the last three, four, five years. Lafarge now move 250,000 tonnes a year from a gravel pit near Newark round to Wakefield. Cemex move about the same tonnage on the River Severn around Tewkesbury, around Uxbridge there is about 60,000 tonnes a year which started two or three years ago. There is a new wharf at Willesden on the Grand Union Canal when it runs into Paddington, of particular significance because it is 26 miles there without any locks. That has a construction waste recycling plant there and has already been receiving some construction waste by boat. The expectation is they will crush concrete to make a secondary aggregate and mix it with what we call “primary aggregate”. That will mean bringing some thousands of tonnes a year into that wharf.

**Q215 Mr Jack:** All of that sounds very good, Mr Dodwell, but the facts which have been elicited from a parliamentary answer show that in 2000 we had 4.3 million tonnes of waterway derived freight, but that had dropped to 3.4 million in 2005.

**Mr Dodwell:** You are referring to an answer on 27 February?

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\(^1\) Ev 60
were 100% on freight. The regional people are whereas the two people who are losing their jobs work because they have lots of other things to do, champions as they are called, in our view will not means, they can then do it. The transfer of freight carry out a policy. British Waterways' problem is if you do not give someone the money they cannot do it. Those of you who have been in Parliament a year they have received imported coal. That is the reason for the big drop.

Q216 Mr Jack: Yes. Mr Dodwell: Good. The main reason there is Ferrypoint Power Station. Ferrypoint Power Station used to receive coal from Kellingley colliery. It had got too much sulphur in so they stopped taking some two million tonnes a year. The new owners have put in a desulphurisation plant. The operators of the craft have kept them. They are a large public company, they would not keep them for no good reason. The expectation—and it is no higher than that—is that traffic will resume, maybe not at two million tonnes a year because in the meantime they have received imported coal. That is the reason for the big drop.

Q217 Mr Jack: From your standpoint, do both of you think that BW is committed to freight, bearing in mind, as I understand it, they closed down their specialist freight department and farmed the work out into various unnamed regional offices? Mr Devine, you are bursting to give us the answer! Mr Devine: British Waterways faces some challenges in the form of the resources which it has been given this year and going forward, and, in our view, it is also answerable to the wrong government department. In that context, we believe that it is unlikely to prioritise an area of work which it perceives as small, and possibly of the past, in advance of something which makes it a great deal of money, which is property development and, indeed, what they are charged by ministers to do, which is to provide access for leisure users. Freight comes down the list of priorities, and it is our belief that in a situation where British Waterways faces an extremely challenging resource position it will not prioritise freight under those circumstances. We believe the closure of the freight unit is a manifestation of that.

Q218 Mr Jack: Mr Dodwell, what is your view? Mr Dodwell: The closure of the central freight department is disastrous. We have taken it up with British Waterways.

Q219 Chairman: Did they consult you about it or was it a fait accompli? Mr Dodwell: There was no consultation at all or none which I am aware of. One was aware of rumours but there was no consultation. The difficulty is Defra have made it clear to British Waterways that they have got to cut their cloth. There was a parliamentary question in December, I think 19 December, at DEF which said it was up to British Waterways to decide how to spend their money. Those of you who have been in Parliament a long time will recognise the formula but, in practice, if you do not give someone the money they cannot carry out a policy. British Waterways' problem is if the Government will tell the money, will tell the means, they can then do it. The transfer of freight work to the regional people, the regional freight champions as they are called, in our view will not work because they have lots of other things to do, whereas the two people who are losing their jobs were 100% on freight. The regional people are lacking in knowledge and experience, and they will no longer have access to a central fund of knowledge to help them.

Q220 Mr Jack: In your judgment they are just window-dressing really? Mr Dodwell: I do not think I would go quite that far but they are going to be reactive. If the Chairman of this Committee rang up and said, “May I take my cargo from A to B?”, they would try and help him but they would not go to him.

Q221 Mr Jack: How many of these champions are there? Mr Dodwell: There is one in each region.

Q222 Mr Jack: So they are not exactly overly stocked with champions, are they? Mr Dodwell: No. We have made it clear that we do not think this is a replacement. Having said that, and I am sure British Waterways would tell you as well, in the London region the regional people have spearheaded the Olympic lock. It can happen and one reason it has happened is the regional manager has put his personal oomph behind it, but even then they are providing the facility, but it is up to someone else to make sure that cargo gets carried.

Q223 Mr Jack: We have the prospect of an Oxera study into the potential for freight, is this going to be a good thing? As organisations, have either of you been involved in inputting to it? Does it look like it is a serious piece of work to elicit what the potential of freight is or something to provide a smoke and mirrors way of dodging any responsibility for future freight development? What do you think? Mr Dodwell: I have personally been interviewed by them. I understand that their brief is to review the marginal costing of what it costs British Waterways to maintain their larger waterways for freight. I understand they are looking at competitive prices of road versus water and they are looking at the scope to increase freight. I must say, I find it very confusing to commission this about the same time as you sack your two central freight team. Whilst I hope Oxera will report there is a buoyant future and British Waterways will use it, one does wonder what they are going to say. If one says there is an element of window-dressing really? Mr Devine: Can I say that Sea and Water have also contributed to this study. In every other way I agree with John’s analysis so I will not take up the Committee’s time.

Q224 Mr Jack: Is it going to take into account a cost-benefit analysis of what further investment might be required to realise freight potential? Everybody comes before us so far and says “it has great potential” and gets very enthusiastic but we need to get hold of what I might call “concrete examples” of unrealised potential, either addressing a shortage of wharfage facilities, for example, or pinch-points on the canal. In other words, nobody
has come along and said, “For an expenditure of X million you would have Y thousand more tonnes of freight transferred onto the waterways”. Mr Devine, you nod sagely as if you are able to provide me with an answer.

Mr Devine: In part it is an answer to an earlier question, which is that unfortunately the information is not there in the way that I am sure the Committee would like it to be, in that there has not been a substantial study of what the pent-up demand for freight is. We can come up with as many examples as the Committee would care to hear of where the demand has led to change and various case studies and so on, but in terms of an overall “There is this potential, which will lead to this number of millions of lorry miles coming off the road leading to this number of savings of carbon”, I am afraid that information is not there.

Q225 Mr Jack: Do you believe this Oxera study is going to provide that missing piece of information?

Mr Devine: I am not confident that it will but I remain to be impressed.

Mr Dodwell: The reason I give you is it is only a three-month study and that is not long enough to do that sort of work.

Dr Leggate: That kind of a project is a huge project and it is interesting that Sea and Water have, in fact, been doing a review for DfT on what already exists in terms of the potential for water freight, not just on inland waterways but around the coast as well. Clearly the information is not available and they wanted to look at this with a view to doing such a study or commissioning such a study themselves. Clearly, dare I suggest, departments are not really talking to one another on what studies are taking place and where this all fits in. I think there is an issue here that freight is more in the DfT area and not the Defra area and in fairness to British Waterways, they are funded by Defra and not DfT.

Q226 Mr Jack: Mr West, you were thumbing through a page or two there.

Mr West: Obviously I can supply copies of this. The freight study group report which came out of Waterways does have an appendices of potential traffic that they looked at at the time in 2001, some of which have come to fruition, for example the Cemex traffic on the Severn. I think that was probably carried out in quite a broad-brush approach, talking to people within the industry. Again, I would expect, although not having been intimately involved with the drafting, the interpretation of the word “potential” is probably different on a responder by responder basis. It is interesting when you talk about freight potential and who is looking at it, the Highways Agency are currently involved with a working group who are looking at the need for strategic wharfection. This is to facilitate the Department for Transport’s policy for the movement of abnormal indivisible loads which are primarily those that are over 150 tonnes. I think it is interesting when you look at government agencies in one form or another, their funding and the way in which they are funded often affects this. Because the Highways Agency are now target driven in terms of congestion, they now have to look at other modes and put potentially their money where their mouth is as they have done in terms of the freight quality partnership study in the West Midlands to at least look see what could be moved on the waterways both in terms of the commercial network and rivers as well as the broad canals in the urban areas. When we are talking about the funding and the way in which government departments are funded—remembering deficit funding for British Waterways and self-sufficiency I know is something which has been touched on by this Committee before—I think when we are looking at a transport mode we need to look at how the transport interests are funded, how Government sees the benefits and how they can be quantified. Not trying to answer all the previous questions in one go, then you start looking at where they should sit and the strategic nature of the waterways and whether they are, as we would like to believe, part of a strategic transport network and, therefore, where they sit best is obviously the next question which comes forward.

Q227 Sir Peter Soulsby: In your earlier evidence, and certainly in your written evidence, you talked about British Waterways giving priority to property over freight in terms of its priorities when the choice is being made. Certainly the CBOA describe themselves as finding themselves at odds with British Waterways over these issues on occasions. I wonder if you can give us some examples of the sorts of issues which have arisen and where they have arisen where you felt, perhaps, British Waterways has gone for the property interest rather than the freight interest?

Mr Dodwell: Sir Peter, I am afraid there are rather too many but I will try and keep the list fairly short and I will try and keep it related to freight. The Diglis Wharf in Worcester was a busy wharf. You have to look now at wharves to see are they now in the right place and Diglis is a good case of where it is now too much in the city centre. From that point of view, it is a good regeneration site and it is a fantastic property site. In the intervening years the Worcester bypass has been built to the south and it goes across the River Severn. Part of the sale proceeds from Diglis ought to be spent on creating a new wharf by the bridge where the bypass goes over. Nothing has been heard of that at all, so all the money will go into the coffers of British Waterways. At Brentford, I think you previously had evidence of the Brentford Wharf where the last commercial bit is under threat for residential accommodation. In Leeds, we had Lafarge withdraw from Leeds down to Wakefield because their site was on a short lease because the developer wanted possession. Given the way British Waterways are funded, given the way that their board is made up of ten members, two have full-time jobs in property, the Chairman of the board is also Chairman of the property company, it is not surprising that they do look to maximise their property interests, but if they were, say, English Heritage I think they would take a very different view. They would say their job is to conserve what they have got and to say that a particular...
development is unsuitable. The financial pressures put on them by as much the Treasury as by Defra force them to do things with wharves which are not in the long-term interest of waterways.

**Mr West:** Just to expand on the Diglis example, I think it is fair to say that a facility in and around the Worcester area is something which if it was not in existence then the commercial nature of that waterway of the Severn could be jeopardised. There is a reason why they are set out in statute as commercial waterways. There are wharves and access points along them and I think once they have been removed then there are some serious questions needed to be asked about who is looking after this national asset and in which way are they looking at it because it would be very much a retrograde step to isolate and to have regional centres of population which had a good transport network around them which was lost just because there was a shortfall in a budget somewhere.

**Mr Devine:** Sir Peter, I wonder if I could provide a little context. The context is that British Waterways' property portfolio is worth half a billion pounds and they make nearly £30 million every year from property development. Incidentally, they also make around £17 million a year from utilities and so on. That compares with freight which, according to their annual report, makes only under £500,000. Under those circumstances, and this is in no way a criticism of British Waterways, it is an entirely rational decision for them to make, to choose to favour property over freight. But our obvious concern is, as both Tim and John have said, that by developing on the waterside they block off access for water freight, and also that residents of these new flats and so on do not like water freight going on opposite and around them. There are examples of facilities being closed or operations restricted for those reasons as well. Then to put on top of that the grant reduction they have had the situation only gets worse not better.

Q228 **Sir Peter Soulsby:** Is it fair to say that the 2005 DfT report on planning for freight on inland waterways has fallen pretty flat? If that is the case, do you blame British Waterways for the lack of impact?

**Mr Dodwell:** Sir Peter, the short answer is yes. On the Thames, largely through the efforts of the Port of London Authority, we now have some 50 wharves which are safeguarded for commercial use and it requires a public inquiry to change that. That system ought to be rolled out over the whole country. The Port of London Authority began ten years ago and I have to say in the intervening time we have seen no signs of British Waterways trying to produce a list of wharves which ought to be protected. Yorkshire Forward has commissioned some consultants to produce a list of wharves which might be suitable for protection. The new planning system means that the local plan becomes more important than it was and, therefore, sites have to be designated at that early stage for industrial or employment use rather than residential. Having said that, where a site is being redeveloped then I believe the planners could be stronger on trying to make sure that water freight is used to take out demolition materials and excavated spoil and bring in aggregates and construction steel and in the longer term be used to take waste away. If you have got a big office scheme going ahead you are going to produce a lot of waste and how is it to leave? Through planning agreements and the Section 106 system I think more could be done, but it does require the people who know about the planning inquiries to take the initiative. I said earlier that British Waterways in London are better than most and I know that where they are consulted on waterside planning proposals they do in their comments say, “Have you thought about water?” but that is as far as it goes, they do not pursue it because they have not got the resources to pursue it and for lack of action the thing falls away.

Dr Leggate: I think as well they are not even required to look at it, and something that at Sea and Water we have been working quite hard to do is to recognise that in the planning process there should perhaps be some guidance to look at water and look at connections when you are developing sites so we can encourage more water freight for the construction and the waste material and that just does not happen. We are told that it would be impossible to have some guidance in this area form a national level.

**Mr West:** It is worthy to note from the previous example of Diglis in Worcester, the planning applicant itself is British Waterways, so talking to the local authority they were not sure who to talk to at the time, some years ago. The freight potential and the use of the water was not something which had come to the planning officer or people within the planning department, the applicant was the navigation authority, so I think it was fair to presume that the freight issue had been looked at.

**Sir Peter Soulsby:** Chairman, just a comment, it is interesting that we have had very little by way of evidence from local authorities.

**Chairman:** We have been asking for it but maybe it will come.

Q229 **Sir Peter Soulsby:** Do you think there are ways in which the planning process could be better used to ensure that there is a secure future for freight? For example, as you suggest, when sites for wharves are developed if there was some requirement for replacement?
Mr West: A number of the local authorities will have a generic freight officer who is involved across the spectrum of freight movement. It is trying to educate those people and trying to ensure that they have the knowledge to be able to put into their documents, their local plans and their structure plans to ensure the waterways are highlighted and the potential for others to come along later is still there as we have touched on in terms of the disappointment with the loss of the central freight marketing team and a significant loss of knowledge and the time that people have spent on committees up and down the country banging the drum and ensuring that you can put a best practice guide together because there are examples, it is just trying to ensure that people are aware of those.

Q231 Chairman: Before Peter goes on to look at governance, can I refer you to an article in Property Week of 26 January which is highlighted by the headline, British Waterways To Siphon Off Canal Sites, and the report refers to up to a third of BW sites being contracted out. I know BW—and we will ask them this when they give evidence after you—have doubted the veracity of this report, but how would you see the potential of a great many sites being contracted out?

Mr Dodwell: Chairman, I had not seen the article but I do read Property Week as I have had interest in property so I well understand the commercial pressures to do something. At the moment we are relying on the planners to hold British Waterways back from unsuitable developments, and the planners do not always get it right or they come under pressure or sometimes at a public inquiry the planners lose. The case at Brentford is a good case. Hounslow Council do not want a residential development there but British Waterways and their partners have persisted. Whether it is one third, I have not got a clue where the figure comes from, but I do think that the British Waterway itself ought to have a fundamental review of its various sites and decide which wharves—and they should do these things in some public forum or through a consultation process—have a suitable use for a waterway use and which, for reasons of history, are no longer suitable.

Q232 Chairman: Have you got any interest at all with potential property developers who would be looking to see if there is any synergy between property developments—obviously, as we have said, there is conflict between residential, but there are other property developers who might be looking at commercial development which could use the water as an attractive aspect of the way in which their commercial enterprises could be encouraged to do slightly different things with an environmental side to it? Is that something you are looking at?

Mr Dodwell: It is not something we are looking at, Chairman, but I will give you two examples which may help you. Peel Ports now control the Manchester Ship Canal and are proposing to have a container wharf in Manchester to receive containers from around the coast. One of the House’s other Committees, the Transport Committee under Mrs Dunwoody, had an investigation about five years ago and there was a property developer there, whose name I am afraid escapes me, who was interested in putting up warehouses, et cetera, where waterways and motorways were close to each other, so there were people interested and I hope there will be. If you want a warehouse or a factory near a motorway junction it does not have to be at the motorway junction. If it is half a mile from the canal it is a problem because of the cost of transporting the goods; if it is by the canal the extra half mile to the motorway is immaterial, so site location becomes crucial.

Q233 Chairman: What about Sea and Water then in terms of the synergy between commercial waterway development and commercial property development? Is that something you are actively looking at?

Dr Leggate: We have always been campaigning to safeguard wharf areas because it is something which encourages water freight and once the wharves have been developed it is very difficult to get them back, so it is something that we are campaigning quite hard to safeguard. As John suggested, we would support a national plan to try to safeguard wharves across the country.

Mr Devine: Very recently we have been in direct contact with developers, builders and so on, to gauge their interest and try and talk to them about the issue and encourage them to look at it. It is a long way down the list of priorities for some of these people.

Q234 Chairman: Why?

Mr Devine: I do not know why.

Q235 Chairman: Given that people like to live alongside waterways, why do businesses not like to operate alongside waterways?

Mr Devine: I was going to finish my sentence to say but it is rising up that list.

Q236 Chairman: You should know we always interrupt!

Mr Devine: The Olympics is a clear example of this. Maybe it is a pious hope, but we do hope that it will be a beacon to others to show them when they are undertaking a major development that this is a way to transport large loads in and out of potentially very congested areas.

Q237 Sir Peter Soulsby: Can I come back again to a fairly fundamental issue which was in the written evidence and we have touched on it a number of times today, and it is about which department has responsibility for British Waterways, which department acts as its parent? Clearly with your interests the Department for Transport perhaps is more appropriate. Do you think it is just as
straightforward as moving it to the Department for Transport or do you think something more fundamental is needed?

Mr Devine: We appreciate that British Waterways has a large number of interests and a large number of stakeholders to satisfy but, for our purposes, we would like British Waterways to operate rather more like the Highways Agency than anything else. An analogy might be at the moment British Waterways operates in which, if it was the Highways Agency, it was saying that our priority is to get people to visit our motorway verges and to develop our service stations rather than concentrate on the road, to stop people developing alongside the road and to ensure that there is access to the road. We do not think it is as simple as just passing it over to DfT in that way because there is clearly a range of stakeholder interests in what British Waterways does. It is a major part of regeneration in a number of cities across the country, it is an important provider of leisure services, it makes a significant contribution to the conservation and biodiversity, and that is why our view is there should be a shared responsibility between Defra, DfT and DCLG in something which we describe as a new water transport unit. I have to say, the history of new cross-departmental units being set up is not a particularly auspicious one, but that for us would be the ideal. Certainly, we would like to see DfT having some responsibility for the commercial waterways.

Mr Dodwell: We take a slightly different approach, Sir Peter, partly because we share the doubt about a cross-departmental body. I think the Parliamentary Waterways Group was told a little while ago that, when DETR broke up, on the Friday British Waterways were going to go to ODPM and on the Monday they were told it was Defra, clearly a finely balanced decision and one which I suggest was fundamentally wrong. Defra has no interest in transport. Even though the Secretary of State is a keen advocate of climate change control and wants to do something about transport CO₂ emissions, his Department has done nothing. Indeed, it has cut British Waterways' grant so they had to get rid of the central freight unit. To us, DfT ought to have prime responsibility for the transport side of the inland waterways. It has responsibility for ports, rail, road, and it is quite illogical that it does not have the freight waterways responsibility. For the waterways themselves, I think on balance we come down to the Department for Transport to have in their logistics policy division a significant interest in inland waterways. As has just been highlighted, there is Government policy scattered around within a number of documents. It is a transport mode, yet I do not see banks of officials working to promulgate that. When you see the work and effort which has gone into some of the central Government initiatives that are road-based, I think it would be fair to say on a sliding scale where is the corresponding impetus behind water freight policy? There was the suggestion for the freight study review, there were a number of positive recommendations which came out of it, some of which were agreed with by Government, but where is the follow-through on that? Wherever the waterway system sits in terms of the Navigation Authority, it is a transport mode and, therefore, you would hope it would warrant significant amounts of officialdom and people driving forward what is a transport agenda.

Q238 Chairman: You say that but surely the difference with waterways is that within reason with roads and even rail and even air people do not go along to walk alongside it, to view the tourist opportunities, to see the ways in which you can build funding settlements on the back of what is a very pleasant environment. This is what marks the waterways out. I accept particularly the point which Mr Dodwell said, having made the point, it does not sit very neatly with Defra, neither does it sit very neatly with any other department. That may be a particular challenge and that is what we are trying to get to the bottom of, but surely one of the great advantages is it does transcend these different areas and there are lots of income generators if someone could get their act together properly to be able to draw from those different areas more successfully than has been the case in the past. Is that not a realistic proposition?

Mr Dodwell: I think there is no one department which covers everything British Waterways does, so it is a question of finding the one which fits best. I am not too concerned about freight barges and the heritage areas. In your constituency, Chairman, when your local canal is restored, I do not expect to see it flooded with freight barges, there are too many locks for a start.

Q239 Chairman: Watch this space!

Mr Dodwell: But if you look a little further, the Gloucester and Sharpness Canal and the river up to Worcester, that is a completely different kettle of fish and I see no conflict at all.

Mr Devine: Chairman, I agree with your analysis and we at Sea and Water do and that is why we have proposed a water transport unit. As John says, it does not fit neatly anywhere. From our perspective, we would like to see the commercial waterways being considered as part of a wider strategic framework by which freight is carried around this country: waterways must have a position in that and that means DIT having some
level of responsibility for British Waterways. Whether it is the mother department perhaps is another question.

Q240 Chairman: Can I thank you for your evidence. As I always say, what you said cannot be unsaid but you may have additional points which you wish to raise that did not come to mind at the time of giving evidence and we are more than happy to receive supplementary evidence. We have already asked for a copy of the investigation that you have carried out where we would be very interested to get business perceptions of the waterways. Can I thank you for giving evidence and if you would now exit stage left we will get BW into the hot seats. 

Mr Dodwell: Chairman, one last point, I do not know whether your Members would be interested in seeing some commercial freight opportunities? I know you are going to Gloucester for your open meeting.

Chairman: If you would like to talk to Eugene from BW, he is trying to fix up something else for us to see in the London area, so there may be some possible linkages there. Thank you.

Memorandum submitted by British Waterways (BW 11)

1. INTRODUCTION

1.1 In 2002 BW articulated its 10 year vision as follows:

“Our ambition is that by 2012 we will have created an expanded, vibrant, largely self-sufficient waterway network used by twice as many people as in 2002. It will be regarded as one of the nation’s most important and valued national assets. Visitors will be delighted with the quality of the experience and as a consequence many will become active participants”.

1.2 Since 2002 we have made good progress:

1.2.1 Expanded

— Our restoration programmes have increased the size of our waterways by over 10% since 2000.

1.2.2 Vibrant

— The number of licensed craft has grown consistently year on year. Last year it grew by a record 7% to 29,000 boats.

1.2.3 Largely self sufficient

— Earned income grew by 91% between 2002 and 2006.

— Commercial income as a percentage of total income grew from 39% to 60% over the same period.

— This growth has been achieved through greater commercial focus and imaginative use of joint ventures with the private sector.

1.2.4 Used by twice as many people

— There were circa 300 million visits to our waterways in 2006.

1.2.5 Valued national asset

— 95% of the population rate the inland waterways as an important part of the nation’s heritage.

— A narrowboat was recently voted as one of Britain’s top icons.

1.2.6 Visitors will be delighted

— On our five key measures of customer satisfaction, in excess of 85% of customers rate us as satisfactory or better.

1.3 BW has transformed itself from being predominantly engineering and infrastructure based to a commercially and customer focused organisation. We have proven to ourselves to be effective and efficient deliverers of major restoration, regeneration and commercial projects.

1.4 Our growing reputation attracts increasing investment into the waterways from Lottery, RDAs, and the private sector. The leverage we get from government grants is quite remarkable.

1.5 At a macro level £60 million of grant has helped to create £6 billion of current waterside regeneration, at a project specific level the Cotswolds Canal project will require £3 million of BW funding to attract £25 million of other public funding that will lead to £80 million of private sector investment into an area of deprivation.
Current users of the waterway network and their relationships with British Waterways

2. BACKGROUND

2.1 British Waterways (BW) cares for and manages some 2,200 miles of canals and rivers in Scotland, England and Wales. A copy of the map is attached in pdf format (please note this should be printed on A3). Some 200 miles of this total has been added by restoration or new build in the last 10 years. About 300 million visits are made to BW waterways each year (Source: Inland Waterway Visits Survey) compared, for example with the 42 million visits to “free entry” museums and galleries. See table attached as Appendix A.

2.2 Waterways are a valued and accessible national asset. Some 95% of the population consistently rate them as an important part of the nation’s heritage and some 85% see them as good places to visit (Source: Inland Waterway Visits Survey). Because of their original purpose, BW’s waterways serve the centres of almost every large town or city. Approximately half the UK population lives within 5 miles of a BW canal or river a fact reflected in the c240 members of Parliament who have a waterway in their constituencies.

2.3 At the heart of the waterway experience are the boating customers and their boats. There are some 29,000 boats on BW’s network and there are about nine million visits to the waterways each year by boaters (about 3% of total visits). It is the passionate enthusiasm of our boating customers which ensured the survival of the waterway network in its most difficult times and in our experience and that of our commercial and public sector partners, the public place great value on active waterways used by a wide variety of boats. Boating customers currently make a direct net contribution through payment of licence (and in some cases mooring) fees of some £14.5 million per annum.

2.4 Over 100,000 people each year take holidays on hireboats and start a process which leads many to boat ownership.

2.5 The waterway network is also enthusiastically supported by coarse anglers who make almost five million visits each year (about 1.5% of total visits). BW is probably the largest single provider of coarse angling opportunity in the country.

2.6 For most people, their waterway is a local recreational asset. Whilst about nine million day trip tourism visits are made to BW waterways, a massive 280 million visits are made for local reasons including safe traffic free routes to work and school, dog walking, and jogging. The waterways are a source of free recreation and an object of local pride for a wide range of communities. The regeneration of the waterways and the areas they serve has been enthusiastically backed by local people throughout the country in the last 10 years.

2.7 Relationships between waterway users and BW are generally good. BW conducts regular market research to test the satisfaction of all types of waterway users and scores are consistently good. The most proactive waterway users are represented through formal groups whether wide ranging (eg Inland Waterways Association), representing a particular activity, (eg National Association of Boatowners) or as a society representing a particular waterway (eg Birmingham Canal Navigation Society). BW has established national and local consultative mechanisms through which the most active waterway users are represented (see www.britishwaterways.co.uk/accountability)

2.8 Through its devolved management structure (nine local waterway units each managed by a General Manager) BW has strong local links with members of Parliament, local authorities, parish councils and Regional Development Agencies as relevant to meeting a wide and varied range of local needs.

2.9 Where things go wrong, BW has a published formal complaints procedure and there is a Waterways Ombudsman (established on BW’s initiative) who makes binding rulings on any issues which are brought to her once BW’s own process has been exhausted.

2.10 Notwithstanding generally good relations and strong support for waterways, BW is ambitious to develop its customer service and is currently part way through a programme designed to further improve customer service and meet rising customer expectations.

The financial framework of British Waterways and the impact of changes in Defra’s budget

3. CORPORATE GOVERNANCE

3.1 British Waterways (BW) is a public corporation established under the 1962 Transport Act.

3.2 Its Board is fully accountable to the Secretary of State for Environment, Food and Rural Affairs in England and Wales and the Deputy First Minister and Minister for Enterprise and Lifelong Learning in Scotland for the effective management of BW’s inland waterway network.

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1 Not Printed.
4. Financial Framework

4.1 Background

4.1.1 The statutory framework for BW in the Transport Act 1962 is that of a self-financing trading entity acting at significant arms length from Government. Nevertheless BW has since its creation required substantial levels of deficit grant funding, although this has in proportional terms reduced significantly in recent years.

4.1.2 A schedule showing commercial income and grant receipts over the past 10 years is attached at Appendix C.

4.1.3 BW is required to act commercially and self generated income has become and is likely to remain the largest source of its income.

4.2 Earned Income

4.2.1 BW has grown its earned income substantially over the 10 year period. At £36 million it represented 40% of turnover in 1996–97. At £92.7 million (a 153% increase) it now represents 60% of turnover.

4.2.2 BW has significant property ventures underway that will further increase its self generated revenues thereby continuing to reduce the burden on the public purse.

4.2.3 BW has generated efficiencies in its operations in recent years. The management structure has been flattened by removing a tier of regional offices in 2003 and reducing the workforce by 140. IT, Payroll and Pensions administration have all been outsourced. A central shared service and procurement centre has been established in Leeds. BW is currently undertaking a further restructure within Business Units and Central Departments and removing circa 180 posts (total workforce 1900).

4.3 Defra Grant

4.3.1 Government has supported a programme of major repair and improvement to the network in recent years, enabling the £90 million of safety related arrears to be eliminated in 2004 and £200 million of maintenance arrears to be reduced to £97 million by the end of 2006–07.

4.3.2 As part of Spending Review 2004, British Waterways was given an indicative budget allocation for 2006–07 of £62.589 million (subject to a caveat of not committing more than 90%). We were formally notified of our allocation for 2006–07 in March 2006. The allocation was £59.429 million. There was subsequently an in year review of Defra’s budgets and the grant was reduced by a further £3.932 million in July 2006 to £55.497 million. A positive adjustment to our capital budget was made in September 2006 increasing the figure to £56.1 million.

4.3.3 These cuts resulted in BW reducing its major works programme of infrastructure repairs in 2006–07 by £5 million.

4.3.4 In December 2006 Defra confirmed our grant for 2007–08 will be £57.55 million. If the amount of grant allocated to repayment of National Loan Fund loans (£2.048 million in 2007–08) is removed, the grants for 2006–07 and 2007–08 are identical.

4.3.5 The grant levels in 2006–07 and 2007–08 are less than planned and will result in circa £5–10 million of major works not being undertaken. On the scale of our operation, this underspend is not significant in the short term provided that funds are available in the medium to long term to make up for the lost investment.

4.3.6 If the cuts in our grant for 2006–07 and 2007–08 are not restored for the CSR period 2008–09—2010–11, then underspend on major works will begin to build up.

4.3.7 Having said this, neither BW nor its waterways is in crisis. The 200 year old network is operational and will continue to be so for many years. However, as maintenance is cut back, the risks increase.

Recent developments in the stewardship work and commercial activities of British Waterways, including its property portfolio

5. Recent Developments

5.1 Maintenance and Repair of the Network

5.1.1 BW manages 2,200 miles of inland navigation, the vast majority of which is well over 200 years old. It is the third largest owner of listed buildings and structures in the UK.

5.1.2 To enable it to manage the repair and maintenance of its infrastructure to meet 21st century standards whilst retaining the historic fabric, British Waterways has developed a world class asset management system. A recent survey of asset management systems by a leading water company classified BW as one of the best.
5.1.3 BW has 11,000 principal assets (bridges, aqueducts, tunnels etc) and 12,000 other assets (embankments, buildings, lock gates). There is a rigorous inspection regime for all principal assets and their condition determines the maintenance and repair programme.

5.1.4 For BW and its waterways to have a secure and sustainable future it must have a fully funded planned asset management programme. In other words it must have the funds to repair and replace its 200 year old infrastructure in a planned way. This will give best value for money.

5.1.5 Analysis shows that we need to spend £35 million per annum (at 2004 prices) on major repairs and renewals to have a sustainable asset management programme. Current levels of Defra funding do not enable us to achieve this level of investment.

5.1.6 Such under-investment increases the risks within the business. If left unremedied, at some point this underspend will manifest itself in a growing number of infrastructure failures, leading to reduced confidence, reduced investment by others and a gradual decline in customer service.

5.2 Waterway Restoration

5.2.1 Since 2000 BW has restored over 200 miles of previously derelict unused waterways. With funding from Governments, Europe, Lottery, RDAs, Local Authorities and others, we have restored the Forth & Clyde and Union Canals in Scotland, the Huddersfield Narrow Canal, Rochdale Canal, Kennet & Avon Canal and built the Ribble Link.

5.2.2 There are currently six further major canal restoration and improvement schemes either underway or about to start. These are the Droitwich Canal, Manchester Bolton & Bury Phase 1, Liverpool Link, Cotswolds Canal Phase 1, Port Dundas in Glasgow and the River Lee through the Olympics site.

5.2.3 The total cost of these schemes is circa £70 million and they are primarily funded by Lottery, RDA, European and Scottish Executive and other central Government grants.

5.2.4 The public benefit by way of regeneration, jobs, recreation, private sector investment and tourism is enormous. Appendix B demonstrates the public benefit of canal restoration by detailing the outputs from four of these schemes.

5.2.5 There are many, many more potential restoration schemes being developed but their delivery will depend entirely on Governments, Lottery and Europe's appetite to fund them.

5.3 Commercial Activity

5.3.1 In 2006–07 gross earned income will be circa £100 million. Net contribution will be circa £70 million.

5.3.2 BW’s primary sources of net income are:

<table>
<thead>
<tr>
<th>Source</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Property</td>
<td>£25 million</td>
</tr>
<tr>
<td>Boat licences, moorings</td>
<td>£14 million</td>
</tr>
<tr>
<td>Utility Sales</td>
<td>£16.6 million</td>
</tr>
<tr>
<td>Joint Venture Profits</td>
<td>£3.5 million</td>
</tr>
<tr>
<td>Wayleaves</td>
<td>£15 million</td>
</tr>
</tbody>
</table>

5.3.3 Joint venture profits will deliver the greatest growth in income in future years.

5.3.4 BW has a number of significant property joint ventures with the private sector and we plan for these to generate profits to BW in excess of £100 million over the next 15+ years. It also has an innovative partnership with Scottish & Newcastle that aims to develop 100 waterside pubs over the next 10 years.

5.3.5 BW property portfolio includes operational, investment and development properties. It manages its estate commercially and has matched the accepted property industry performance index, IPD, over the past five years. Property is a critical and integral part of our business as it not only generates significant revenues, it also enables delivery of regeneration and other wider public benefits.

5.3.6 BW is currently only able to operate commercially on or adjacent to waterways it owns or manages. This restricts both its direct activities and those of its joint ventures. Defra and the Cabinet Office are currently considering ways in which this restriction could be removed.

5.3.7 BW constantly seeks new ways to expand commercial activity and reduce dependence on government grant.

5.4 Public Benefit

5.4.1 Our network is an enormous linear public regeneration and recreational resource.

5.4.2 BW is currently involved in circa £6 billion of waterside regeneration. In almost every major town and city on the network the waterways are acting as a catalyst and vital ingredient in local regeneration plans.
5.4.3 A waterside location is now the place of preference for people to work, live and play. Accordingly, waterside property commands a 20% price premium above similar property.

5.4.4 The public benefit created by BW through the regeneration it enables is enormous both in scale and mix. Improved access to towpaths, increased public realm and improved amenity, desirable offices and homes, jobs, environmental and heritage protection are just some of the benefits created by BW led waterside regeneration.

5.4.5 All of BW’s waterways and towpaths are freely open to the public. The vast majority of towpaths (and all in urban areas) offer safe, easy walking and cycling for families and the disabled. We put particular emphasis on improving and encouraging access for the disabled.

5.4.6 Around 300 million visits per annum are made to our waterways and towpaths. They are a vital resource for the health and wellbeing of the public as an attractive accessible linear waterside park.

5.4.7 BW is the third largest owner of historic buildings and structures in the country. It also manages 65 Sites of Special Scientific Interest.

5.4.8 The inland waterways provide a unique unbroken wildlife corridor from urban and rural areas.

Potential for growth in leisure and freight use of the waterways network

6. Leisure Use of the Waterways

6.1 The inland waterway network is now primarily a leisure facility. 300 million visits are made to the waterways each year by the public, mostly on the towpath.

6.2 BW has undertaken some comprehensive research over the last year to establish the potential for growth in leisure use. This research concluded that:

— There would be modest growth in boat ownership and static or declining numbers of anglers. These two categories of users are our most passionate and enthusiastic.

— There would be some growth in weekend/family visitors to specific destinations on the waterways, eg flights of locks, boat lifts, aqueducts.

— There is potential for quite dramatic growth amongst functional users as canals are restored and large urban waterside regeneration projects are completed. Functional users are, for example, those who use the towpath to walk the dog, go to work or as a short cut.

6.3 BW’s marketing plan therefore concentrates on:

— Raising awareness, signposting of the canal in towns and cities to encourage greater use.

— Creating a number of “destinations” along the network for leisure seekers to visit. These will have visitor facilities to encourage longer and repeat visits.

6.4 BW will continue to support and encourage the hireboat trade and all other waterside businesses as we look to the private sector to deliver the vast majority of services and facilities for visitors.

6.5 The waterways can also help to increase the numbers of UK residents holidaying in this country and not going abroad, thereby helping both the economy and the fight against climate change. Our canals are recognised as an important part of our national heritage that attracts both foreign and home visitors.

7. Freight

<table>
<thead>
<tr>
<th>Tonnes lifted</th>
<th>Tonne—Kilometre</th>
</tr>
</thead>
<tbody>
<tr>
<td>2003–04</td>
<td>2.1</td>
</tr>
<tr>
<td>2005–06</td>
<td>1.6</td>
</tr>
</tbody>
</table>

7.1 The greatest reduction in freight use in recent years has been in the transport of coal to power stations. For example, in 2002 the Ferrybridge Power Station stopped receiving 800k tonnes per annum of coal by water.

7.2 There have been some new contracts, mostly aggregates.

7.3 The potential to increase freight traffic is centred on bulk transfers of non time critical goods from point of source to point of use. If there is double handling, it makes the economies of waterborne freight very difficult.

7.4 Aggregates from gravel pits to city centre batching plants or waste (both construction and domestic) from city centre to incinerator/landfill are both potential growth areas.

7.5 We are very actively engaged trying to create non-tidal waterways through the Olympic Zone to carry construction materials.

7.6 We are also working with Yorkshire Forward to develop container traffic from Goole Port into Leeds.
7.7 Freight imposes costs on BW over and above our current day to day operations. The channel depth has to be deeper requiring additional dredging, locks have to be manned to allow speedier transfer, and large vessels create more wear and tear. Freight income is circa £700k per annum but our additional costs are well in excess of £1 million per annum.

7.8 BW will continue to encourage freight on those waterways most suited to it, but we shall only do so where it imposes no additional cost burden onto us.

7.9 BW has recently engaged economic consultants Oxera to undertake a review of the viability of inland waterway freight to inform us as to what incentives are required to achieve significant growth.

7.10 BW has a policy to protect existing wharves where we believe there is existing or potential for freight use. However, a large number of traditional wharves are located in areas where freight use is no longer desirable (poor road network, near residential) or where the demand is unlikely to materialise.

Relationships between British Waterways and central Government departments, Regional Development Agencies and local authorities

8. Relationships

8.1 Central Government

8.1.1 Our sponsor department in England and Wales is Defra and we have a good working relationship at official and ministerial level. There is a good understanding of the issues that we face and the potential of the network to deliver public benefit.

8.1.2 Government has been very supportive of BW in recent years providing increased grant to deal with a history of under investment in our infrastructure as set out previously.

8.1.3 Waterways for Tomorrow, 2000 and Scottish Canals—an asset for the future, 2002 remain the two government documents that set policy and guide strategy for BW.

8.1.4 Recently the Shareholder Executive has begun to advise Defra on the commercial aspects of our work and we have found them to be very knowledgeable and experienced on business issues. Their involvement has been extremely helpful and productive for BW and we believe Defra.

8.1.5 We have some contact with DCLG who advise Defra on strategic property issues. In particular, we work closely with English Partnerships in two areas.

8.1.6 We have agreed to take over responsibility for two major water related infrastructure assets, namely, the Tees Barrage and Liverpool South Docks. In exchange we received a one o

8.1.7 We also work with English Partnerships on major area based regeneration projects where the canal acts as a core catalyst for redevelopment. Current examples include Nottingham, Gloucester, Northwich and Manchester.

8.2 Regional Development Authorities

8.2.1 We work closely with a number of RDAs where they have extensive inland waterway networks within their areas. They are enthusiastic supporters of the waterways and have provided substantial funding in recent years for canal restoration, towpath and tourism improvement projects.

8.3 Local Authorities

8.3.1 Waterways benefit local people and local economies but not all local authorities recognise this. Some are hugely enthusiastic and supportive and we work closely with them to optimise opportunities. Others are less interested.

8.3.2 We try hard to engage local planning authorities to support the waterways, particularly in respect of creating much needed new marinas.

8.4 Lottery Funders

8.4.1 The waterways have benefited hugely from the support of the Millennium Commission, Heritage Lottery Fund and now the Big Lottery Fund.

8.4.2 The Heritage Lottery Fund in particular has been enormously supportive of the canal network and they have funded both large projects (Kennet & Avon, Droitwich and Cotswolds Canals) as well as a number of smaller more site specific projects.
8.5 **Environment Agency**

8.5.1 The Environment Agency is the second largest navigation authority in the country. We collaborate closely and successfully with the Agency on issues such as boat licensing (including development of a joint Gold Licence), boat safety (where we jointly contribute to an “MOT style” Boat Safety Scheme) and through our membership of the Association of Inland Navigation Authorities.

8.5.2 We have a close working relationship with the Environment Agency at an operational level where we liaise on such issues as flood control, water resource management and water quality.

8.6 **Maritime and Coastguard Agency**

8.6.1 BW has established a close relationship with the MCA. Working in conjunction with the trade and user groups, we develop non-statutory arrangements which enable BW to cost-effectively regulate commercially and privately operated craft in accordance with the principles of better regulation.

FURTHER INFORMATION:

Corporate issues: www.britishwaterways.co.uk

Waterway leisure: www.waterscape.com

British Waterways

*January 2007*

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**APPENDIX A**

**INLAND WATERWAYS VISITS DATA**

<table>
<thead>
<tr>
<th>2005 Nos of visits (millions)</th>
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<tbody>
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<td>Visit to a specific attraction</td>
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<tr>
<td>Fishing</td>
<td>4.8</td>
</tr>
<tr>
<td>Boat with an engine</td>
<td>7.3</td>
</tr>
<tr>
<td>Boat without an engine</td>
<td>1.6</td>
</tr>
<tr>
<td>Walk, ramble, run for leisure</td>
<td>116.1</td>
</tr>
<tr>
<td>Dog walking</td>
<td>90.0</td>
</tr>
<tr>
<td>To get somewhere else</td>
<td>41.3</td>
</tr>
<tr>
<td>Cycling</td>
<td>24.7</td>
</tr>
<tr>
<td>Other purpose</td>
<td>4.9</td>
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<td>Total Visits</td>
<td>297.2</td>
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**APPENDIX B**

**Urban & Rural Regeneration**

**Funded Restoration Schemes**

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<th>Scheme</th>
<th>Amount (£)</th>
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<tr>
<td>Liverpool Link</td>
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</tr>
<tr>
<td>Manchester Bolton &amp; Bury</td>
<td>£ 4.4m</td>
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<tr>
<td>Droitwich</td>
<td>£12.5m</td>
</tr>
<tr>
<td>Cotswolds</td>
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</tr>
<tr>
<td>Port Dundas</td>
<td>£ 5.0m</td>
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</table>

<table>
<thead>
<tr>
<th>Outputs</th>
<th>Cotswolds</th>
<th>Droitwich</th>
<th>Liverpool</th>
<th>Port Dundas</th>
</tr>
</thead>
<tbody>
<tr>
<td>Addl. Visitor spend pa £K</td>
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<td>2750</td>
<td>4100</td>
<td>1300</td>
</tr>
<tr>
<td>Addl. Visitor days pa K</td>
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<td>322</td>
<td>200</td>
<td>176</td>
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<tr>
<td>Full time equivalent jobs</td>
<td>600</td>
<td>196</td>
<td>173</td>
<td>87</td>
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</table>
APPENDIX C

Supplementary memorandum submitted by British Waterways (BW 11a)

NETWORK & ASSET MANAGEMENT

1. INTRODUCTION

1.1 British Waterways manages a 2,200 mile, 200 year old network of canals and rivers across mainland Britain. Our infrastructure includes the obvious canals and towpaths supported by large structures such as aqueducts and tunnels, smaller structures such as waterway walls and customer facilities, and vegetation ranging from grassed towpaths through hedges to large trees—all of which have to be maintained and kept safe.

2. ASSET MANAGEMENT

2.1 Prior to 1997 we did not have a full asset management process. We relied upon a methodical inspection approach with the inspection of our assets confined to monthly length inspections of the whole network, annual inspections of bridges, six monthly inspection of “vulnerable points”, statutory inspections of reservoirs and public road bridges and 10 yearly inspections of tunnels.

2.2 In 1995 we conducted a review of our assets and our approach to asset management. We decided to concentrate on those major assets most critical to the functioning of our network, like aqueducts, road bridges, tunnels. We called these our Principal Assets. In 1996 we carried out a rapid “impairment” survey of all these assets to give us a clearer picture of their condition. In 1997 we introduced a formal Asset Management process labelled AIP97. This used a risk based inspection regime and the grading of principal assets according to their condition. We are able to Grade our Principal assets from A to E with A being good and E being bad.

3. PRINCIPAL ASSETS

3.1 Principal Assets are a defined group of infrastructure assets that improve the focus of asset management planning. Infrastructure assets included are: key operational assets, the failure of which would lead to serious disruption or have serious consequences for our business, customers or neighbours.

3.2 We have around 11,000 Principal Assets with an average lifespan of 166 years and the rate of deterioration is shown by the attached Asset Lifecycle Curve. On average an asset in condition C requires an annual spend of 0.3% of replacement cost to prevent deterioration—ie it deteriorates at 0.3% per annum. In condition D the equivalent rate is 1% on average, while in condition grade E the rate rises to 4% on average. The curve shows that the rate of deterioration increases with time and at an accelerating rate. So an asset at the top of condition D deteriorates less quickly than one at the bottom of D. In condition E the change in deterioration rate is marked, being 1.5% at the top of E, but with the curve becoming near vertical as failure approaches.
3.3 The consequence of this is two fold. The cost of major renovation to extend the asset’s life rises with age and the cost of annual maintenance required to halt further deterioration also rises with age. The average replacement cost across our Principal Assets is of the order of £375,000. Looking at the curve we can establish what extension to asset life could be expected for a given expenditure.

3.4 AIP97 was updated in 2001 and again in 2005. AIP2005 requires monthly length inspections of the whole network, a comprehensive Annual Inspection of the whole network, and full structural inspections of all principal assets generally at 10 year intervals.

3.5 Also as a result of our work in 1995 and 1996, the concept of a backlog of statutory maintenance was introduced in April 1997. Arrears are defined as the excess percentage of assets in the lower end of condition grades, over and above that percentage that is deemed acceptable to BW in terms of risk. We developed a repair programme to reduce the excess of those in the worst condition grades and to bring the asset base back to an acceptable profile commensurate with our appetite for risk. At that time we aimed to achieve this by 2021.

3.6 Around 1996–97 we calculated that we had total arrears to our principal assets of £270 million of which £90 million was safety related. This £90 million safety backlog has been removed and the £180 million reduced to £97 million.

3.7 Because the focus was on the elimination of what we termed as Safety Backlog, the Statutory Arrears of Maintenance were initially expected to rise to around £187 million, then to begin to fall as we began to invest more heavily in our Arrears. Our plan at the time of the End to End Review was to eliminate Statutory arrears by 2012. The current funding situation means that the target will be missed.

3.8 Over time we have refined our asset management techniques and introduced a Business Benefit Priority scoring system. This incorporates condition and consequence but also covers business critical aspects such as customer satisfaction or income potential, as well as safety. We have also begun to look more closely at our non principal assets.

3.9 Non principal assets are: infrastructure building and operational assets that do not meet the dimensional or operational significance criteria of Principal Assets but nevertheless perform an essential function in the operation of our navigations. These assets include, small embankments and cuttings less than three metres high; small footbridges over feeders; disused locks; jetties, slipways; signs/mileposts. They also include bank protection and the towpath. They do not include trees, vegetation or vehicles.

3.10 So when we refer to Arrears, we mean the outstanding work needed to our Principal Assets. This has reduced from £270 million in 1996–97 to £97 million in March 2007. We also have outstanding work to our non-principal assets (about 12,000 of them).

3.11 Our non principal assets behave similarly to our principal assets, but in the main they have a significantly shorter average life and can be affected more extensively by usage as well as simple ageing. They will therefore have a similar lifecycle curve but it will be shorter and steeper on average.

4. Steady State

4.1 Steady State is our terminology for the future situation when our network will be in a state of repair and an operating condition that allows virtually all maintenance and operational activities to be undertaken on a fully programmed and cyclical basis.

4.2 We have developed a Steady State Model of the activities required to ensure safe, secure and useable waterways, towpaths and reservoirs. The Model includes non activity based costs, mostly payroll, and allows us to compute the predicted cost of maintaining and operating the network based on the characteristics of each waterway. The model is iterative and improving over time. The total figure predicted by the current model for the UK updated to current prices is £124 million per annum, including £35 million for major works encompassing major dredging, major repairs or renewals to both principal and non principal assets. Iterations will refine the details within the model but we do not anticipate them having a major impact on the total.

4.3 Steady State assumes that all our assets are in reasonable condition with the principal assets distributed according to the original 2012 target. Thus we cannot at present operate at Steady State as our assets are in poorer condition and require more than “Steady State” for both improvement and maintenance.

4.4 Our current estimates for the next two to three years suggest we can afford £73 million for general works including indirect costs and £28 million on major works—a total of £101 million. This obviously means we cannot at present achieve a fully “fit for purpose” network. In the short-term, we can manage risk at an acceptable level on these figures, but they are unsustainable in the long-term.
4.5 As we cannot at present afford to clear all outstanding repairs or fund annual maintenance to the necessary level, we are required to make judgements as to where to spend our limited resources to deliver best value for money.

4.6 We need to achieve the right balance to:
— ensure the network is safe for the public and our people;
— gradually improve asset condition concentrating on those that have the highest consequence of failure and greatest business benefit; and
— maintain the network day to day (grass cutting, litter clearance, graffiti removal, minor repairs) to ensure it is operational and attractive.

4.7 Because we have tackled the worst of the Principal Asset arrears, we believe we can now reduce our targets for reduction of arrears and reallocate funds to non-principal assets and day to day maintenance.

4.8 Our previous target of removing the outstanding arrears by 2012 will, therefore, not now be met.

4.9 Our new approach will be to reconsider those assets in condition E. It will be acceptable to carry some of these assets in this condition if their consequence of failure is low and their business criticality is low. There are also likely to be assets that can be decommissioned and taken out of service—assets such as bed valves or sluices or stop gates that have not been used for many years and whose decommissioning will not adversely impact the network.

4.10 For D grade assets we can continue to target those with high consequences of failure or high business criticality and carry those with lower factors.

4.11 This approach, which is really a refinement of our approach since 1997, will allow us to allocate funds from the “old” arrears category to non-arrears major works. The intention is then to have a single category—major works—ranked according to impact on the network and our neighbours.

4.12 Our whole approach continues to be one of understanding and managing risk. The risks inherent in our current Plan are greater than those in previous plans. We do believe this situation is manageable over the next three to five years, but we also believe we are at the point where further reductions in investment will lead to increasing deterioration.

5. Safety

5.1 As part of our more risk based process we also introduced an assessment of the consequence of failure of a principal asset. In other words we graded each asset (one to five) as to the severity of the consequences if it failed. Our prime concern is the safety of the public, our customers and staff. We do not compromise on safety and our business plans allocate funds first to ensure we meet a minimum safety standard. This also applies to our asset management strategy. With Government support we removed our backlog of safety related works eight months ahead of plan in March 2004. In completing the safety backlog we obviously concentrated on those assets in poor condition—or a higher likelihood of failure—with a combination of significant consequence of failure. An asset can be in very poor condition—i.e. E—but with a low consequence of failure. An accommodation bridge in very poor condition and considered at risk of failure could be closed and cordoned off with no immediate plans to repair. A reservoir dam, on the other hand, cannot be cordoned off. It must be repaired in the interests of safety long before it becomes a serious risk to the public.

5.2 Safety backlog was a subset of Arrears, being those Arrears that would have significant safety implications if they were to fail. It is critical to ensure that a redirection in our Arrears Programme does not reintroduce a safety critical issue. Currently we do not believe that there are assets which are likely to fail without warning which would have the potential to seriously harm people or lead to a loss of life. We monitor our E graded assets closely and take holding decisions as required.

5.3 Consequence of failure is externally influenced. The scores are externally driven and can change as land beside the canals is developed or use is changed. For example a primary school may be built adjacent to a canal embankment and this would change the consequence of failure score. Increasingly our waterways are used as catalysts for regeneration and are seen as attractive environments. Waterside land is therefore popular for development. In the medium and long term the consequence of failure factors are likely to rise.

5.4 Likelihood of failure is dependent on the condition of the structure and can be controlled by us. Management to maintain safety must therefore always consider both the consequence and the likelihood.

5.5 The key for us is to maintain an understanding of the condition and consequence such that we manage the risk to the business and to others. As funding reduces, our repair/improvement programme is reduced, and our annual maintenance demands continue to exceed the available resources—and the risk escalates. This risk could in the long term become unmanageable. As the grades deteriorate the likelihood increases as does the ongoing holding cost and the cost of repair. The result is further deterioration and a further increase in likelihood, potentially linked to a higher consequence.
5.6 Our current modelling does not predict a re-emergence of safety critical assets over the next 10 years. However, this is dependent on Government funding not reducing dramatically as experienced this year and all our commercial activities being successful to deliver the necessary earned income.

5.7 Whilst we do not consider there is or will be a safety issue, clearly there are significant risks within both the asset management programme and the business plan for BW.

6. Conclusion

6.1 In summary:
— We have outstanding repairs to our Principal Assets (arrears of £97 million. We also have outstanding repairs to our non-principal assets).
— If the network was in an acceptable condition (ie Steady State or all the above repairs had been undertaken), we believe it would cost us £124 million per annum to maintain it.
— Our current estimates only provide enough money for us to spend £101 million per annum even though it is not in Steady State.

6.2 To manage risk what we need is confidence in our ongoing funding. This funding is of course a combination of directly earned income and government grant. We continue to work hard to improve our own directly earned income.

6.3 There is always likely to be some unforeseen failures like the two breaches this financial year—on the Llangollen and the Monmouthshire & Brecon Canals, but this can be managed within an overall major works project.

6.4 The major hard assets are unlikely to fail without warning provided we remain vigorous in our inspections. We can therefore adjust spending on the basis of need, if we can be confident that we are delaying a major repair for a small number of years.

6.5 We believe that if we had sufficient funds to meet the £124 million per annum calculated through our Steady State model, we would be able to manage our known risks and provide a network that was fit for purpose. In the short term, we could reduce the total by reducing spend on major works but only if we have confidence in having sufficient funding in the medium term.

British Waterways

March 2007

ASSET LIFE CYCLE CURVE
Further supplementary memorandum submitted by British Waterways (BW 11b)

Arrears to Principal Assets Schedule Attached is a list of all the works that make up the £97 million of outstanding repairs to our Principal Assets. The schedule shows:

<table>
<thead>
<tr>
<th>Subject Heading</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Plant</td>
<td>Our reference number</td>
</tr>
<tr>
<td>Funding Category</td>
<td>Principal Assets or Major Works we now regard as principal assets</td>
</tr>
<tr>
<td>Object Type</td>
<td>A code for each type of asset, eg 010 refers to all locks</td>
</tr>
<tr>
<td>Functional Location</td>
<td>Our means of locating the assets on our GIS system</td>
</tr>
<tr>
<td>Amended Business Criticality Score</td>
<td>Our methodology for ranking the impact on our business of each asset’s failure</td>
</tr>
<tr>
<td>Amended Business Benefit Prioritisation Index</td>
<td>Self explanatory</td>
</tr>
<tr>
<td>Description</td>
<td>Our ranking A-E. Where there is no assessment we are awaiting a formal report but initial assessment suggests D&amp;E grade</td>
</tr>
<tr>
<td>GH suggested year to match allocation</td>
<td>Matching up when the centre can allocate the funds and when the Business Unit can undertake the work</td>
</tr>
<tr>
<td>BU proposed delivery year</td>
<td>Estimated cost of repair</td>
</tr>
<tr>
<td>BU Best estimate</td>
<td>Self explanatory</td>
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<tr>
<td>Cumulative cost</td>
<td></td>
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</table>

British Waterways

March 2007
## British Waterways

### Arrears to Principal Assets Schedule

<table>
<thead>
<tr>
<th>Plant</th>
<th>Funding Category</th>
<th>Obj</th>
<th>Asset Type</th>
<th>FuncLoc</th>
<th>Amended Business Criticality Score</th>
<th>Amended BBPI Score</th>
<th>Description</th>
<th>Cond Grade</th>
<th>GH Suggested Year to match proposed delivery allocation</th>
<th>BU proposed delivery Year</th>
<th>BU Best Estimate (£k)</th>
<th>Accumulative Costs £k</th>
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## British Waterways
### Arrears to Principal Assets Schedule (Continued)

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### British Waterways

#### Arrears to Principal Assets Schedule (Continued)

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### British Waterways

#### Arrears to Principal Assets Schedule (Continued)

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### British Waterways

#### Arrears to Principal Assets Schedule (Continued)

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### British Waterways

#### Arrears to Principal Assets Schedule (Continued)

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### British Waterways

**Arrears to Principal Assets Schedule (Continued)**

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<th>Asset Type</th>
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### British Waterways

**Arrears to Principal Assets Schedule (Continued)**

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### British Waterways

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### British Waterways

#### Arrears to Principal Assets Schedule (Continued)

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### British Waterways

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### British Waterways

#### Arrears to Principal Assets Schedule (Continued)

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### British Waterways

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Funding Category

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Asset Type

GU-005-014
HN-012-015
LL-064-004
LR-003-005-R
MA-008-010-R
MA-014-004
SG-001-017
SN-012-002
SN-012-007
SN-013-005
SU-052-006-L
SU-059-005
SU-059-006
SU-061-006
SU-072-007
SU-073-004
SU-080-005
SU-084-016
SU-086-001
SU-087-008
SU-092-004
SU-094-004
SU-095-002
SU-105-003
SW-048-002
SW-049-003
SW-051-001
SW-056-002
SW-057-003
TG-001-002
WB-047-001
WE-006-004

GU-185-005
LC-019-004
LC-044-001
LL-016-002
LL-036-002
TM-037-001
GR-009-001

GU-172-002

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Amended
BBPI Score

Culvert 5, Hay Mills
LOCK 42
Culvert 121
Embankment 2, Prescott Bank
Embankment 5, Miners Arms Embankment
Grimshaw Lane Aqueduct
Culvert 2
Safety Gate 4
Safety Gate 5
Safety Gate 6
Embankment 31
Culvert 66 (Audlem No 2)
Culvert 67 (Audlem No 3)
Culvert 74, Adderley Lees Bridge
Goldstone Culvert No 3
Fox Bridge Culvert
Culvert 98, Grub Street Culvert
Shelmore Bank Culvert No 2
Norbury Valley Culvert No 3
Culvert 104, Gnosall Culvert
Culvert 113 (High Onn No. 2)
Wheaton Aston Valley Culvert No 1
Wheaton Aston Valley Culvert No 3
Hattons Culvert No 3
Culvert N3, Slade Heath
Culvert N5 (between Brs 73 & 74)
Culvert N7, south of Calf Heath Aqueduct
Culvert 10N, below Boggs Lock
Culvert N11, adjacent To Rodbaston Weir
Culvert 1, Causeway Green Branch
Culvert 44
Culvert 5, Castle Bridge Culvert

Lock 76, Cassiobury
Aqueduct B.44A, Roebuck Aqueduct
Aqueduct B.91A, Burrow Aqueduct
Aqueduct 6 - Alt Aquaduct, Aintree
Aqueduct 11
Culvert, Durose
Culvert 10 ( Aqueduct)

Lock 59, Winkwell

Description

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BU Best
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Accumulative
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Brittish Waterways
Arrears to Principal Assets Schedule (Continued)

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25-07-07 18:27:07
Pag Table: COENEW
PPSysB
Unit: 1PAG

Environment, Food and Rural Affairs Committee: Evidence Ev 99


Witnesses: Mr Robin Evans, Chief Executive, Mr Tony Hales, Chairman, and Mr Jim Stirling, Technical Director, British Waterways, gave evidence.

Q241 Chairman: Welcome. We have three fairly well known characters who have been sat through at least some of the earlier session so they should get a tenor of what sort of things we have been asking others, but we have now got BW in the hot seat. It is a pleasure to welcome Robin Evans, Chief Executive, Tony Hales, Chairman, and Jim Stirling, Technical Director from BW. If I could make a start and look at some of the figures which you have kindly presented us with so we can get an understanding of some of the ways in which you have to deal with the immediate current problems of the reductions in Defra expenditure but also the wider strategy which you have told us is moving towards self-funding, and I am sure that will be picked up as we go through the questions. Can I ask you a couple of fairly specific ones to begin with? In terms of the financial situation, looking over the years 2004 through to the current year, whilst it is interesting to look at what cuts you face in terms of Defra funding, your direct income does spike in 2005–06, going up from £93.1 to £129.9 million and then back down this year to £112.6 million. Why was there that spike last year? That makes it quite difficult to run a business; we are talking about quite a dramatic change in your bottom-line revenue. Robin, why has that happened, and what sort of difficulties does that make for you given that is then compounded with some of the grant cuts which you faced?

Mr Evans: Some of that issue is to do with the amount of money we get in from third parties, particularly restorations which we spend. If we have got a particular project on we will get a lot of money in and we will spend it, and so we gear up to a degree for that and we can deal with that fluctuation. The other inconsistency which is going to come more and more is our ventures which we get income from, not on a regular basis like a rent, but we get dividends when they complete a particular development and complete a particular task, and they issue dividends as a profit from that particular activity. Those come in lumps because they may take three years to build, develop out and sell something, then they will make a profit and they will give a dividend, so once every three years you may get a lump sum of money. These things are not terribly difficult for us to deal with when we can see them coming. If we can see them coming we can gear up for them and we can plan accordingly. It is when things happen which we did not know about and fluctuations happen which we had not planned that cause us a difficulty.

Q242 Chairman: My second question is regarding your supplementary evidence on network and asset management which, I have to say, was a rather opaque paper and I think it is probably best if I ask Jim Stirling. Looking at point 3.7, the sentence that started that particular section says: “Because the focus was on the elimination of what we termed as Safety Backlog, the Statutory Arrears of Maintenance were initially expected to rise to about £187 million, then to begin to fall as we began to invest more heavily in our arrears”. Could you unpack that for me because I have got some specific examples from my own constituency that I wish clarification to know this whole area of arrears maintenance which is your day-in day-out business because if you do not maintain the network people cannot use it, you cannot raise income from them, and the whole thing goes into decay? Can you explain that sentence?

Mr Stirling: When the concept of arrears was first raised in 1997 there was a subset of arrears which caused us more concern which we referred to as Safety Backlog. We focused initially and had additional government funding to remove the Safety Backlog which I think we did in March 2004 and, therefore, there is no Safety Backlog now as a subset of arrears.

Q243 Chairman: Can I be clear then, is that because there is not any Safety Backlog or that is because you have redefined what a Safety Backlog is?

Mr Stirling: No, it is because we have removed the Safety Backlog.

Q244 Chairman: So there are no safety issues per se in the network?

Mr Stirling: No, we do not believe so.

Q245 Chairman: I am sorry to bore the Committee with this but I understand a little bit about it from my constituency knowledge. Let us take two issues in the arrears to principal assets schedule which, again, you kindly sent to us, which is quite a difficult document unless you relate it to your own experiences. Let us take two of the ones which I know something about where we have got the repairs to the Sharpness Tidal Basin and Patch Bridge in Slimbridge. Are these figures that are presented to me the figures of what work needs to be done and it will be done in due course of time or is this a wish list of things which might be done at some future moment in time but you have not got the money and you certainly have not got the money since you have had the reductions in Defra grant funding?

Mr Stirling: The list you have got in front of you, Chairman, has near the right-hand end the year in which it is our intention to carry out the work, if you have got the same schedule as I have.3

Q246 Chairman: I have not got the same schedule. It gives me a proposed delivery, understandably there is not much blue because that is this year.

Mr Stirling: The blue is this year, yes.

Q247 Chairman: These are actual planned expenditures which will take place?
Mr Stirling: Yes.

Q248 Chairman: I understand that because I expect both the Basin and Patch Bridge to be done over the next year but that is something which is finite, it will be done despite the funding issues?

Mr Stirling: It is in the programme and that is fundable within the finances we know about just now.

Q249 Chairman: In terms of the £100 million backlog of maintenance, how much has that been hit now? We saw the parliamentary answer to Charlotte Atkins about what is being delayed in terms of some of the proposed backlog which was going to be done, but how much slippage, not intentionally, is there now in the yellows that you have highlighted in the document there or have you now rejigged your whole programme accordingly?

Mr Stirling: The document you have is rejigged in the light of what we now know. During the financial year, which is just finishing at the end of this month, we reduced the major works programme by £5 million, some time in the autumn, to allow for the Defra cuts.

Q250 Chairman: How long is that position sustainable for?

Mr Stirling: It all comes down to confidence, if you like, as to when the job can get done. You can always move everything, slip everything by a year.

Q251 Chairman: So, given what you said earlier, that there is no safety issue, this is just about potential of the network being more together than would be the case if it got inevitably delayed further?

Mr Stirling: That is correct. Because of our knowledge of the assets we know which ones we can afford to slip and which ones we can least afford to slip, and we can improve if we need to the inspection regime on something that has slipped if we think it needs to be further inspected because we have a robust regime in which we do that, and therefore for a limited time, two-three years, you can cope with sliding jobs if you have confidence that you will catch up on them.

Q252 Chairman: Just on that point you have to be very careful you do not give the wrong message to Defra, which is: “Keep slipping the figures” because obviously Defra will think: “Well, you know, we can give them a whack of £8 million off this year; what is to say we do not give them another whack of £8 million?” And I know it is to do with features that are going to lead into this where we go to the terms of the Comprehensive Spending Review, but that is a dangerous message, is it not?

Mr Evans: On that, we believe it is our job to make Defra very well aware of the reality of the situation, and the reality is that with £100 plus million spend on the waterway you cannot say that one, two, or five million less one year is a disaster. What we have been saying very clearly is that an underspend on the waterway, if built up, could lead to a situation which could become unmanageable, and we are very clear about that. This is not something that is sustainable.

Q253 Sir Peter Soulsby: On that point, have you tried to quantify the impact of that build-up over a period of years in terms of what will be noticeable on the waterways and what the economic impact of it might be?

Mr Evans: That is very difficult for us to do. Sometimes we refer to works which are above the water and below the water, which is not strictly true, but the vast majority of our users see what is above the water—getting the grass cut, the hedges cut, the towpath, the locks working. A huge amount of expenditure goes under the water in weirs, in repairs, in piling, and even though they are not under the water things like maintaining mechanical bridges, et cetera, so a lot of the time these things look as though they are OK. If the mechanical bridge works it works and you will pass through it, but actually it is becoming less and less reliable and it is that standard of maintenance which concerns us, because reliability will deteriorate, confidence will deteriorate, and when that happens investment and attractiveness—people coming on to the water, people wanting to invest on the water, people wanting to set up businesses on the water and buy their own boats—all begin to turn the wrong way.

We are saying we have a network which is fit for purpose; it works, you can go along it, it is perfectly usable at the moment, but there is a point when all that becomes too difficult and the maintenance becomes such that it loses its attraction, and that is our concern.

Q254 Sir Peter Soulsby: I should perhaps remind Members, of course, that I do have a small boat on British Waterways’ network moored in one of their marinas, and in the past I have been Vice-Chairman of the board of British Waterways, so I am hoping to get some answers to questions today that I did not when I was a member of the board! That having been said, Chairman, beyond the postponement of the maintenance work that has been talked about, could we just hear something about the likely impact of the grant reductions and whether, indeed, the grant reductions were to blame for the recent job losses we have heard about, or indeed the closure of the frightening link that we were focusing on earlier on. To what extent are these cause and effect, or were these things that perhaps BW would have done in any case?

Mr Evans: We have consistently said that we are constantly looking to run British Waterways as efficiently as possible and that will require us, and we want, to look at the ways we operate and who works for us and how we work. I have no doubt that as we bring in new ways of working, as we bring in new technology, as we look to structure ourselves differently, we would have reduced our work force. What happened was, though, the cuts which
happened immediately prior to this financial year and during it, and as importantly the mood music of what was going to come in the future and what was likely—that these cuts were not going to be one-offs and are likely to be sustained—made me and my executive team look to take decisions which could rapidly bring us back to a position where we could spend the money we needed to spend on the track, and therefore we brought forward some of the job losses which would have happened by natural wastage over time into one year. As far as the freight unit is concerned, that is a case in point where there were very few, if any, people in British Waterways not working hard and not doing something worthwhile, and it is very difficult while running the organisation, the waterways, to pick those people that we can do without, but if I do not cut the amount of money we spend on our offices, the number of people we employ and the number of cars we have it means less money goes on to the network, and that is the difficult balance we have to make. It was my judgment that those people were doing good and valuable work and we would have liked to have kept them mostly, but to ensure that we have the right amount of money to go into the repairs and maintenance of the waterway we had to make those people redundant.

Q255 Sir Peter Soulsby: I am aware that it might be quite difficult for British Waterways because obviously I would expect they are still fairly anxious to maintain good relations with their parent department, but I do wonder what has been said about the mood music for the years to come, particularly as we go into the Comprehensive Spending Review. What indications have you received from the Department about their hopes, or indeed their fears, for the future?

Mr Evans: I think we could say that their expectations are that their settlement from Treasury will at best be what they call flat cash, i.e. the same amount of cash that they had this year for the next three years. I think those whose departments have settled have settled at that; that is their best estimate and they could not get worse, so I think the mood music to us is that at the very best it will be flat cash, i.e. the same amount of cash that they had this year for the next three years. I think those whose departments have received from the Department about their hopes, or indeed their fears, for the future?

Q257 Chairman: Can I give you one simple example which is the waterways museums? They are desperate to get some help because of competition from free entry to certain national museums and that really would be something they are seeking from DCMS. What sort of access do you get to other departments besides Defra, or does every other department say: “Don’t trouble us. Your parent department is Defra, and if there is any money forthcoming it has to come through that channel”?

Mr Evans: They do not usually say that, Chairman. They usually say: “If you can find one of our existing programmes which meets what you want and what we want, then let’s talk about it.” So if DCMS have a programme with £10 million in it to help ailing museums which are losing money they are very happy to take an application from the Waterways Trust to help them, but almost never is a department prepared to come up with a new programme or a new scheme specifically designed to assist us in one of the areas we are looking for assistance, so it is quite difficult to get that money from different departments.

Chairman: Let us move to income.

Q258 Mr Jack: You have sort of lifted the veil for a fraction of a second on discussion about ways in which your operating circumstances could be amended which might enable you to do things which you currently cannot do, and you say these are being actively pursued, which is a terribly ministerial way of doing it. Can you tease out a bit more and tell us what you mean by that, and give us a flavour as to what it could mean in terms of additional income?

Mr Evans: By way of example at the moment British Waterways is not allowed to act on any waterway other than the ones that it owns or manages, so if we are marina operating experts we have a partnership with a pub company to build waterside pubs and we have some waterside development expertise which you know about, we are not allowed to use any of that expertise for any of those joint ventures on waterways we do not own or manage, so there is a sort of artificial restriction—

Q259 Chairman: Is that legal or proprietorial?

Mr Evans: That is statutory.

Q260 Chairman: So even if someone came to you and said: “We will pay you a bundle of money for your consultancy and expertise...”

Mr Evans: I am sure we can give consultancy but we cannot do our business.
Q261 Sir Peter Soulsby: The Environment Agency were telling us the other day that they cannot do it on their waterways either. So, in fact, neither of you can?

Mr Hales: No, they cannot.

Chairman: We will try and tease out that issue from ministers.

Q262 Mr Jack: Let’s explore what that means because almost you are challenging in a funny kind of way the basis of British Waterways and its estate trading enterprise, and you are almost tempting us to ask the question: “Could the whole way in which the waterways were managed be completely reconfigured?” I get the impression you are rather a sort of frustrated property company that would like to do lots with your assets and spread your wings as opposed to necessarily starting from the point of view of maintaining a national asset and trying to add to the limited sums of central money that you derive by way of income from a variety of sources.

Mr Hales: We are a waterways company and we see the property assets to be totally integral with the development of the waterways. Talking about our vision is to be increasingly self-sufficient, and it is about the speed which one gets there. In an ideal world where we would like to get to is that in 2012 we would like to have only 25% of our money coming from the Government and the rest of the money being self-generated ourselves. We do not like dependency; it leads to perhaps a lack of entrepreneurship and a lack of innovation in the whole approach to the way we run our activities. How do we get to that 25%? One assumes, firstly, that we get rid of the backlog and we stop having these very expensive assets which are in poor repair to put right; secondly, that we have a contract going forward which gives us a period to plan, and we would look for a seven year contract, because clearly it is not good use of British Waterways’ management time, or money, or indeed the taxpayers’ money, when one is planning on an annual basis or even a quarterly basis of what we have had to do because of events in the last 12 months, and the third element is then to increase commercial powers, which Robin has largely mentioned, but also the ability to borrow as well—

Q263 Mr Jack: The reason I am probing you on this is that there are two distinct ways in which you can go, one of which is the one you have just described within a governmental framework. The other is the same kind of message I was hearing from water companies in yesteryear, one of the arguments about the dreaded “P” word, “privatisation”, which is that we have all of these assets; we are struggling to get enough money to invest so if we were not completely free of this and we have lots of other things to generate income, we can rid ourselves of the constraints of public borrowing, raise lots of money and do lots of exciting things. Now, if somebody were to suggest that as a model, putting aside whether you agree or disagree with it, could it be a model that could run the waterways?

Mr Hales: I think the biggest users of the waterways are the people who use the towpaths, whether they are using them to walk the dog, go for a jog, walk to work or coming out of their flats. Those people use the towpaths for nothing; there is no realistic way of getting an income out of those people. That is really where the Government funding, I would suggest, is going, to support that use.

Q264 Mr Jack: One of the things I struggle to find, either in the accounts or the evidence, is what does it cost to provide that public good?

Mr Evans: It costs the difference between what we earn and what it costs to run the waterways.

Q265 Mr Jack: That is an answer which says there is a difference between two numbers but what I am not seeing is something that breaks it down so that I can reconcile the actual cost of keeping the towpath under way, doing all the safety measures to stop people falling in the canal where they should not, et cetera. It cannot just be as neat as the difference between two numbers.

Mr Evans: I think in the paper we gave you we talk about steady state, which is our model for trying to work out what it costs to run the waterways in good condition, and we put that at current prices at £124 million a year.4 You can divide that by 2200 and come up with a figure per mile.

Q266 Mr Jack: But what I am trying to get at is that if you say the assets are used by people who do not pay, how much does it cost to buy that bit of the good? That is what I was interested in.

Mr Evans: I do not think we have ever done that because to answer your other question about privatisation or where we are going and whether we are a property company, we are essentially about maintaining and preserving 2200 miles of 200-year old network for the nation for the future. That is where all our money goes and that is our driver. Everything else is incidental to that and we want to earn more money so we can put more money back into that maintenance.

Mr Jack: That is very good. I am deliberately just poking away to see what your reaction is because we have heard the same thing about the hundreds of miles of Victorian sewers and the need to keep them in good condition from Thames Water, from United Utilities—everyone is in the “Let’s keep the Victorian asset going business” and you are no exception in that respect, and those boys have gone out and got sheds loads of billions of cash and charges whizzing up but they have managed to sort themselves out. Have you ever evaluated alternative models to see if any of them would stack up by way

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4 Ev 75 para 4
of, if nothing else, justifying that the current one is the one and only way in which we can run our waterway network.

Q267 Chairman: And can you link that with the point I made in the previous session about the article in Property Week which talks about you contracting out a third of your canalside land ownerships? Is that something you are looking at? Is that a separate issue? Is this a misleading article?

Mr Evans: Very definitely. That article was about contracting out the management of part of our portfolio so that managing agents would send out the rent demands, do the rent reviews, do the building inspections and repair the roofs when they leak. That was about managing out the management and not parting with any part of our waterway estate, so that is where it was misleading.

Q268 Mr Jack: Can I come back to my question now? I am salivating at the thought of the answer you are going to give me about it! Tell me why this model is the model.

Mr Evans: At the moment we are a public corporation and we are in the public sector, and we have public duties and objectives, and that is the model that I am set the task to make work and to make as efficient as possible.

Q269 Mr Jack: But that does not actually answer my question. Are you going to get there?

Mr Evans: What I am saying is have we ever looked and said: “Here is another better model”? No.

Q270 Mr Jack: Why not?

Mr Evans: Well, it is one of the things that this current funding issue and the future funding of the waterways is making us consider, whether we need to look at different ways of operating.

Q271 Mr Jack: This is very interesting. What could those be? What other models exist that might enable our waterways to be freed from the constraints that colleagues have identified in terms of your subvention from Defra and the finite amount of money you can raise from your commercial activities? What other models could there be?

Mr Evans: There is a range you could conceive for British Waterways. I used to work for something called Historic Royal Palaces in the Department of Culture Media and Sport which was a fully fledged government department. It began to make more money and it became a charitable trust. The property is still owned by the Government but Historic Royal Palaces have a management agreement. I believe, or they certainly did, to run those palaces. That is a model that I have seen before. I have not thought about how well it would work on the waterways but some form of trust may work.

Q272 Chairman: What about share ownership? What about the Post Office model, and this idea that they are going to offer their employees a share ownership as part of the business? Could you offer your users a share ownership as part of the ownership of the heritage of the canal network? Is that a feasible idea?

Mr Evans: I do not know.

Q273 Chairman: That is not one of the models you have looked at?

Mr Hales: We cannot see a way that there will not be some level of public funding, because part of what we are is a linear park. One does not want to put British Waterways into a neat little box, whether it is a transport company or a linear park or a regeneration company. It is many things but one of them is a linear park, and to keep that asset open for the public to enjoy is going to require public money. It would be a major change in the model if we did move to a seven-year contract with certain agreed outputs with Government.

Q274 Mr Jack: I am just exploring because “linear this and that” is called railways, and we have seen there are different funding models for the provision of railway services using assets of a similar vintage to yours. The reason I am probing is not to ask for fine detail; it is just that the prospect is of continuing pressure, flat cash, and the way things are going is if you guys carry on developing your property income—and it is very impressive what you have done in terms of the growth in income—the people you would be dealing with in Defra will form a very straightforward conclusion, that they might just ease up here and there, let you sweat the assets a bit more, and you can carry on making up the difference.

Mr Hales: We believe that is the right way to go. The issue at the moment of today is about the steepness of the curve.

Q275 Mr Jack: What sort of rate of return are you looking for on your assets?

Mr Hales: What we want to do is to get rid of the backlog, and then we are in a good position to go forward. What we are concerned about today, and what particularly our users are concerned about today, is that the great progress that is being made to get the canals in a better state than they have ever been means the curve is going to go down.

Q276 Mr Jack: What rate of return on your assets are you looking for?

Mr Hales: We look at various rates. From a pure canal point of view we are not looking for a rate of return on that. From our property assets we look to compete with or to match the IPD return, which is the benchmark return for property.
Q277 Mr Jack: And do you?

Mr Hales: Yes, we do, and we have been doing.

Q278 Mr Jack: Is there a doubt that you might in the future not be able to do that, or do you want to do better?

Mr Hales: We certainly want to match it, and the board sets the management that target.

Q279 Mr Jack: What pressure have you for asset disposal, because there are asset disposal figures in your balance sheet and if you carry on selling off the assets then you are not going to have any to derive an income from.

Mr Hales: But they are recycled.

Q280 Mr Jack: But into property or maintenance?

Mr Hales: They are recycled into property to generate better returns to improve the maintenance going forward. It is absolutely fundamental that we have a set of assets that we believe it is right and the board believes it is right that the management work hard, not just financially but in terms of demonstrating—

Q281 Mr Jack: Am I right in saying that apart from the loans you got from the National Loans Fund you are not allowed to lever these assets?

Mr Hales: Correct.

Q282 Mr Jack: Is that something that is a real constraint?

Mr Hales: We would like to be able to borrow against them, sure.

Q283 Mr Jack: Why do people say you cannot? Is that simply because of the corporate structure you have?

Mr Hales: Yes.

Mr Evans: It is all about borrowing in the public sector and it counts against the public sector borrowing limits.

Q284 Mr Jack: Why not get rid of all these wretched loans here, because they are all somewhat expensive?

Mr Evans: We are. As they end we pay them off.

Q285 Mr Jack: You are not allowed to pay them off quicker? Because you have free cash in the balance sheet.

Mr Evans: We are funded to pay those loans, so as they come up we are paid. That is a sort of separate part of our grant.

Q286 Chairman: Who do you mainly borrow from?

Mr Evans: We can only borrow from Government.

Q287 Chairman: So these are all internal. I am sure government would be only too pleased.

Mr Evans: No because if we borrowed more money, it would be like asking for more grant; it comes—

Chairman: No. What I am saying is would Government not be keen for you, if you could find a way, to pay those loans off more quickly, as Michael is suggesting?

Q288 Mr Jack: It is only £10.5 million. In terms of the size of your business it seems a bit odd. In terms of the rate of interest on £10.5 million worth it runs from as low as five up to ten and a quarter per cent, and it just seems to be a waste of money.

Mr Hales: But they are recycled into property to generate better returns to improve the maintenance going forward. It is absolutely fundamental that we have a set of assets that we believe it is right and the board believes it is right that the management work hard, not just financially but in terms of demonstrating—

Q289 Mr Jack: So it is the Government who is giving you money, but it still comes out of the Treasury pot?

Mr Evans: It does.

Q290 Mr Jack: In other words, if you are looking to get money on the side of the balance sheet you want it on, if Government could accelerate this process it would be to your advantage?

Mr Evans: They are own loans so they are paying themselves to pay their ten per cent interest.

Q291 Mr Jack: But at the end of the day it comes out of the big pot called “government expenditure”; that was the point I was making. On Regional Development Agencies, how much of a strategic arrangement do you have with them? They have their redevelopment programmes and their investment programmes for different parts of the country; you have some very attractive waterway sites; how much in terms of long-term strategic cooperation can you have when you are under quite a lot of short-term pressure to realise profit from your property portfolio?

Mr Evans: We try and have a lot of strategic engagement. Whenever we have a board meeting we always try and have a tour the day before with a dinner in the evening and invite local business connections to that dinner, and always invariably the chairman or chief executive of the regional development agency is at that dinner. Our local business units have relationships with those local regional development agencies, and we are looking at where they are going strategically to try and match our strategic aspirations as well. Where the
points of discussion are between ourselves and the regional development agencies is that the regional development agencies are funded to enable regeneration. The mere fact it happens is good business for them. We require to get a return from our investment because we are in the business of getting money back into the waterways. So if an RDA puts £10 million into a scheme and something happens, they are happy, but if we put £10 million into a scheme we must get a good, commercial return on that because what we want is not the regeneration—which we love, but if that happens we get no return on our investment; we just have less money to invest in the waterways.

Q292 Mr Jack: So there is a potential conflict of interest which might mean that a waterside asset that you would like to develop cannot be because, from your standpoint, the rate of return is not right but there is a friction because the regional development agencies say: “We want that piece of area redeveloped”?

Mr Evans: I do not think there is a conflict; I think there is a difference between exactly the nature of ourselves—that they would like us to be more public sector in their thinking and do public good without worrying about the returns. We need the returns.

Q293 Mr Jack: So is it more a question that they, perhaps from the DTI point of view, have to look at the way that they use their funds in a different way, recognising the commercial requirements you have?

Mr Evans: We work very closely with them and we almost always come up with the right solution, so EPE and the regional development agency are funding a lot of infrastructure works for our Gloucester Quays redevelopment. We could not do that. The scheme would not have got off the ground, we would not have attracted a commercial partner, we would not have proceeded if we had to pay for a new bridge and a new road and some other major infrastructure works, and that is now being funded.

Q294 Mr Jack: Just going back to your relationship with Defra, on a continuing basis who do you deal with at Defra?

Mr Evans: I personally deal with a senior civil servant and her boss, a director.

Q295 Mr Jack: Could you give some names?

Mr Evans: Sabina Mosner is my day-to-day contact, and her boss has been someone called Robert Lowson, but he has just left.

Q296 Chairman: Who was with Barry Gardiner?

Mr Evans: There is a director-general above them, and then—yes.

Q297 Mr Jack: So how often do you meet with Defra? Quarterly? Or what?

Mr Evans: I am probably on the phone to them most days. I probably have meetings with them at the moment once a week. Maybe more than that.

Q298 Mr Jack: So what goes on at these meetings? That is a high level of contact. What are you telling them about?

Mr Evans: There are two streams of discussion: one is about future funding and that is an issue where we have been trying, I hope successfully, to explain what the figures mean, what our needs are and what our fears are, and that is one strong stream of discussion; the other stream of discussion is how to go about monitoring the performance of British Waterways. They put £60 million plus into us each year; they are entitled, quite rightly, to ensure they get value, and they want to quiz us and want our reports on what we are doing, and see how we are progressing.

Q299 Mr Jack: So they are deeply knowledgeable about this, are they, and always ask the right question and probe you in the right way? Are you perfectly satisfied with the relationship you have with the people you have these almost daily conversations with? Is it sweetness and light? Is everything good?

Mr Evans: More recently they have been assisted by the shareholder executive in their dealings with us, because Defra acknowledge that a lot of what we do is alien to their day-to-day business.

Q300 Mr Jack: So you are reporting to a department on something that is alien to their activity?

Mr Evans: I said some of our activities are alien to their day-to-day activities.

Q301 Mr Jack: Does that cause you a little bit of a problem in that your sponsor department is not entirely au fait with what you are doing?

Mr Hales: The funding issues that are broadly in government and in particular have been well-publicised in Defra have obviously put pressure on the relationship we have had. We have traditionally enjoyed an extremely positive relationship with Government and with Defra and the ministers, and the normal basis of contact, or formal contact, is once a quarter at a performance review meeting to discuss performance and annual budget and the corporate plan, which the shareholder executive and the Defra officials attend.

Q302 Mr Jack: So no ministers?

Mr Hales: No. We will see ministers probably twice a year on a normal basis.

Q303 Mr Jack: And there is positive interacting with lots of requests from ministers about what you are doing? Are they asking the right questions?
Mr Hales: On a long-term basis we have an excellent relationship with ministers and ministers have seen British Waterways as not only a much-loved and a good organisation but one that is capable in its execution, and is capable of executing in quite a number of different ways. Of course there are frustrations in this but that is the reality of, to some extent, ministerial changes in that different ministers will have some different prioritisation in their approaches, but overall it has been a good relationship.

Q304 Chairman: So how did you find out about the grant cuts? Robin, did you take a phone call from the Minister, or did you take a phone call from the Director-General to say: “Look, Robin, sorry, but it is a tough year this year, you have to take a hit in some areas. Can you come back to me and let me know how you are going to do this”?

Mr Evans: Generally our relationship is such that my day-to-day contact, Sabina Mosner, would be telling me: “It is going to be tough, Robin, I don’t know what is happening quite yet but don’t expect a Christmas present.”

Q305 Chairman: So the Minister does not ring up and say, “I want you to understand I am totally committed to the waterways but I have problems, and I have to do the difficult job of saying to you that you have to take £8 million or so out of your grant budget this year”. Does that happen?

Mr Hales: Traditionally we have had good notice before the start of the year as to what to expect—

Q306 Chairman: That did not happen this year.

Mr Hales: It did not, and it would then be confirmed and we would be asked not to spend the last 10%. This year we were given slight warning that there were some issues and then given 48 hours. A letter came through—I got a phone call actually because Robin was away—saying that we had 48 hours to produce our response.

Q307 Chairman: That was from the Minister, or not?

Mr Hales: No. An official.

Q308 Chairman: That is not a lot of notice to change one’s budget.

Mr Hales: It was not a lot of notice. An exceptional year.

Note by witness:

Grant For Notification
2005–06 March 2005
2006–07 April 2006
2006–07 (in year cuts) July 2006

Unusually we were aware through conversations with officials of the likely grant notification about 4 weeks before the above dates. Mr Hales is referring to 48 hours or so notice that the ministerial letter was on its way.

Chairman: We will ask the Minister whether it was a very exceptional year or maybe a year that can be overcome. Roger?

Q309 Mr Williams: When I asked a minister from the Wales Office what effect cuts in British Waterways’ grants would have on canals in Wales he told me that as the total Defra budget was going to remain the same the Barnett Formula would deliver to the Assembly exactly the same amount of money as was planned originally. Actually I told him I thought he was rather badly briefed to give that answer! As I understand it now, British Waterways is a non-devolved matter in Wales but is a devolved matter in Scotland?

Mr Hales: Yes.

Q310 Mr Williams: Could you perhaps tell us why that is the situation?

Mr Hales: I do not think it is really up for us, as to why at the time the Scottish Executive were given broader powers than the Welsh Assembly. I would suspect that in Scotland there are more canals and therefore it is a bigger issue than in Wales where very much they are on the border.

Q311 Mr Williams: Can you perhaps tell us how it works in the devolved nations in terms of expenditure? I notice in your accounts you have a separate Scottish account but I have not really had a chance to have a look at it. Perhaps you can help us with that.

Mr Evans: In Scotland it is devolved. The Scottish Executive are the funding government department, so Scottish Executive vote us money each year, as Defra gives us money in England and Wales. We run Scotland as a separate business unit; we have our own Scotland director and the activities in Scotland are all separately accounted for. We regard ourselves as British Waterways and we have a central administration, a central executive, who look after the whole, and we have certain directors like Jim Stirling, who is technical director for the whole of British Waterways, so his responsibilities extend up to Scotland, but delivery on the ground is run separately in Scotland. We also have in Scotland a British Waterways Scotland Advisory Group, local people coming together three or four times a year to advise the Scottish director on Scottish issues to make sure we understand what the local circumstances are, what the issues are in Scotland, what is required. Wales is not a devolved issue so it is part of our grant from Defra, but the whole of Wales is managed within our Wales and Border County Business Unit. That extends to beyond Wales, so it is not the only thing that that business unit does, but it runs all its waterways in that business. We do not separately prepare accounts for Wales; we regard Wales and Border Counties as the most cost-effective business unit for the canals in
Wales and those just over the border, so we run those just as a part as we do the other eight business units in England and Wales.

Q312 Mr Williams: In terms of some of the partners you would work with, presumably in Wales, some of those would be devolved responsibilities like regeneration and local government. What sort of contacts and what sort of consultation do you have with players like that, like local authorities and so on?

Mr Evans: We have very good relationships in Wales, we work very hard to build up relationships with other public bodies in Wales, and we have good contacts with the Welsh government and I will be able to provide you with a copy of the plan we have put together of the future for waterways in Wales, which we have built up with other executive agencies and the Welsh government, and we work with local authorities very well indeed. As you know, we are trying to get money to restore the Montgomery canal and we have other projects where we are trying to develop and promote Waterways in Wales. That is what the document is called which I will send you.

Q313 Mr Williams: As I understand it, licences for people who have boats on waterways accounts for about 20% of your direct income and probably about 13% of your total budget or total income. Boaters seem to think that they pay more than their fair share in terms of the cost of their licences. How do you respond to that, and how do you justify the level of licences and the total contribution they make?

Mr Evans: We are very conscious that what we are good about is having boats on the canal. Boats create the vibrancy, the colour, the attraction. Waterways without boats would not be the waterways we have today. People would not want to buy the houses and live, work and play by the waterways if there were no boats going up and down, so it is absolutely critical for us to maintain and, indeed, hopefully grow the number of boats on the waterways. At the same time it is an incredibly expensive network to run, 2,200 miles of 200 year old infrastructure, so what we are trying to do is create the right level of payment for those users. They cannot possibly pay for the total cost of running it—it is simply unaffordable to put the whole cost to them—so we are constantly looking to set charges that we consider are at a level which will continue to encourage people to buy and own and use boats, and at the same time help to defray the very large costs of maintaining the network, and that is a balance which we are constantly reviewing.

Mr Hales: They basically pay in two ways. One is the licence fee and the other is the moorings. On the moorings we are able to establish a market rate because there are a large number of suppliers.

Q314 Mr Williams: In the Comprehensive Spending Review 2008 everybody has agreed that public finances will be tightened rather than relaxed. Which user group do you think would be most affected by a tightening of the public finance?

Mr Evans: I think anyone who pays British Waterways for a service or facility will probably see those costs rising as we seek to maintain the right amount of level of income, the right investment, going into the waterways, so those who pay directly may see some increase. Of course, of those who do not pay us, and it is a bit like you heard before with the CBOA, some will see a reduced service from us. We will have to cut back, as we did our central freight team. We are trying desperately hard not to cut back the amount of grass we cut, the litter we pick, the graffiti we remove and the water we manage. It would be very sad if those users saw a change. Even though they do not actually pay for it per use they pay for it through tax, so I am trying very hard to see that those users will not have an effect from the cuts.

Q315 Mr Williams: Other users use the towpath for activities. What is the legal status of a towpath? Are there any public rights of way on it?

Mr Evans: There are public rights of way on it. The whole network is not a public right of way, but there are large parts of it which are. We encourage and welcome people to come on to the waterways and use the towpath.

Q316 Mr Williams: If you were going to raise any finances for the use of the towpath then the legal status of the towpath would be an important element. If somebody has a right of way on a towpath they are hardly likely to respond very well to somebody charging them a ticket to go on it.

Mr Evans: That is part of it. Equally difficult is the sheer cost of management of trying to enforce some sort of access payment on to our towpaths, because you either have to have lots and lots of people, which I suspect would cost you more, collecting it, or lots and lots of fencing which would certainly be unwelcome and unattractive, and probably uneconomic too.

Mr Hales: It is totally against our philosophy. One of the drivers is to attract more people to come into and enjoy the waterways even on health benefits, which the Scottish Executive have put quite high on their list, getting more people walking, running, and jogging along the towpaths. That is what we want.

Q317 Mr Williams: Do you have any conflict of interest, I have seen it, between cyclists and walkers?
Mr Hales: Yes.

Q318 Mr Williams: How do you try to resolve that if you cannot charge them? I would have thought charging would have been a really good way of resolving that.

Mr Evans: We have acute problems in London, particularly since the July bombings when a lot of people started to use the waterways to ride to work, and at certain times of the day there are parts of the network in London which we worry about. We deal with that by putting a lot of effort working with Transport for London, and we are working very well with them now to try and designate other cycle routes away from the canal where there are pinch points. We have days when we put a lot of our people on to the towpath who talk to regular cyclists to make them aware of the dangers of going too fast, going round bends, under bridges without notifying bells: we work very hard to try and reduce the conflict but the use of cyclists is certainly a concern for us at certain times of day on the towpath. We did until relatively recently have a rule where you had to have a licence to ride a bike on the waterways but quite frankly the cost of collection and administering that was prohibitive, and it was not having any noticeable effect in making sure that people who did have licences behaved themselves or rode any more sensibly.

Q319 Mr Williams: Presumably horses are allowed there because of the horse drawn boats that—

Mr Evans: I am sorry to interrupt but we are very particular about that. We do allow horsedrawn boats, we think that is wonderful, we like to encourage that wherever we can, but people are not allowed to ride on our towpaths, partly because they cause a lot of damage but partly because of the dangers of a big horse in a narrow hedgerow with water and nowhere to go. So we discourage riding.

Q320 Sir Peter Soulsby: There has been I think a 7% growth in the number of licensed boat holders. Do you anticipate it will slow down?

Mr Hales: No.

Q321 Chairman: Despite loss of red diesel, and loss of additional mooring sites because of investment and so on?

Mr Hales: I suppose that has to have some effect but all our projections are that there is this historic growth of two per cent a year and the basic underlying reasons remain. A growing population, particularly 50 year old plus, are coming into this market in very significant numbers.

Mr Evans: We anticipate that we need more than 10,000 new berths on the waterways over the next ten years to meet with demand. It is very much a part of the economy.

Q322 Chairman: You can provide that?

Mr Evans: We cannot, that is why we launched our Marinas Investment Guide earlier this year to attract new private sector investment on to the waterways.

Q323 Chairman: That is a partnership with the private sector.

Mr Hales: Absolutely, because we cannot afford, and we do not think it is our role, to invest our short money in providing marinas, and it is something the private sector does very well indeed.

Q324 Chairman: Could you send us a copy of that?

Mr Hales: Certainly.

Mr Evans: You were asking the other day about the forecast of demand. There are some demand models in there.

Q325 Sir Peter Soulsby: What about the holiday hire boat industry? They have expressed a lot of concerns about the lack of maintenance having impact on their business? Do you share those concerns, and what do you see are the trends in holiday hire? Is that something set to grow?

Mr Evans: Holiday hire is essential. It is a really critical activity for us, not only because there are over a thousand boats which pay us their licences and it is quite a lot of money for us but also we know from research that people who buy boats have generally hired a boat first of all, and that is how they have got into boating. It is the way into boating. So as a feeder stream it is essential that holiday hire boating retains and grows, or at least stays the same if it does not grow. In recent years there has been a lot of growth in time share on the waterways and there have been a number of companies which have grown quite successfully, so although over the last ten years hire boating numbers have decreased, a lot of time share boats have come on to the waterways and so that has almost but not quite compensated. We worry very much with our operators about the future: we are acutely conscious that they operate in a difficult environment and they rely almost totally on us to ensure that their livelihood can survive. If we do not provide water in the canals and they do not operate they cannot operate, and we are acutely aware of that. This year for the first time we undertook a very comprehensive survey of all our business customers to understand what their needs are and what they expect from us and how we can do better, and we are actively pursuing that. Every general manager in every business unit has a list of clients and it is their job to manage those clients in those waterway businesses which are relying on our activities, so we are acutely aware of how important they are and we want to grow them, and we are doing what we reasonably can to ensure that they survive and thrive.
Q326 Sir Peter Soulsby: One of the previous witnesses was talking about the potential for opening up some of the less crowded parts of the waterways, and I think they gave us the example of the northern part of the Birmingham network with the Lichfield & Hatherton as one of the links into that. Is there indeed potential for doing that, and is that something that is affected by reduction in the revenue of British Waterways?

Mr Evans: There are parts of the network which are much more heavily used than others. The Birmingham canal network is relatively under-used and we try very hard to attract more people to use it. It is a mainly urban environment and traditionally the boater wants to boat and cruise and stay on the more rural waterways. The Leeds & Liverpool Canal is another very under-used canal in the north of England and we are very keen to attract more canal boaters up to those parts, so there are areas where we would like to see more people and we try and encourage that.

Q327 Mr Williams: The facilities you provide and maintain are very popular with the public and readily enjoyed. Have you ever considered having some sort of voluntary subscription scheme or some membership to allow people to express their satisfaction and enjoyment that they get?

Mr Hales: People can belong to the Waterways Trust, so we are keen on that. We are certainly very keen on supporting all the voluntary organisations, the Waterway Recovery Group. They cannot belong to British Waterways.

Q328 Mr Williams: So how much finance and resource do these voluntary bodies bring into the network?

Mr Evans: That is a figure I do not have. Their enthusiasm alone is worth millions and millions of pounds to us. They are the people who are responsible for ensuring the waterways did not disappear for ever in the 1960s and they have campaigned vigorously and strenuously and loudly ever since, and they are the ones almost always who are behind the initial thoughts of restoring a waterway and getting the momentum behind that which we help with and join in.

Q329 Mr Williams: I was not so much thinking of people actively involved in restoration, but the more casual user, and some way in which they could on a voluntary basis support what they so obviously enjoy.

Mr Evans: My Chairman is very keen on increasing the amount of volunteer help in British Waterways, and it is one of the tasks he has given me and the Executive, to see a sharp growth in the amount of volunteer activity. Traditionally we have been slow at attracting that, primarily because of the safety issues of working and the sort of work the volunteers can do and supervision, because it is all about working near water with machinery and everything else. That explanation is not an excuse; that is not right; we need to break down those barriers and we need to grow and bring more people on, and we are in active discussions with ENCAMS, which is the old Keep Britain Tidy, the Groundwork Trust, IWA and a few others like BCTV to bring those sort of well-trained, well-organised, well-disciplined volunteers on to the network. I would get those people on to the network and demonstrate to ourselves as well as to everybody else that we can have many other people. I used to work for the National Trust and I think they are absolute masters at attracting volunteers, and we need to copy their success.

Q330 Sir Peter Soulsby: One of my parliamentary colleagues asked recently about the Bedford-Milton Keynes link. Is that still on the British Waterways' agenda, because there they had the opportunity to make a link that does not exist and make new cruising possible.

Mr Evans: It is one of the projects that has been given money by the Big Lottery Fund to develop its thinking. It has recently received I think £250,000 to develop its proposal so it can go back to Big Lottery and it is bidding for a £50 million Living Landmarks lottery grant. British Waterways is not at the moment taking the lead in that; the Bedford-Milton Keynes Trust is the lead along with the Council. We are right in there providing the technical support and any other support they want, but it is very much on the waterway restoration agenda, or the new waterway agenda.

Q331 Mr Jack: Can we all put our little bit in? The opening up of the northern section is now down in the report—

Mr Evans: It is! I walked it about two months ago, and it is an excellent project.

Mr Hales: You illustrate exactly one of the dilemmas we have. We do not have the cash to support widespread restoration. We support all of it morally and in terms of providing technical assistance wherever we can, but we do not have the cash to be able to support many initiatives like this. They have to be driven locally.

Mr Evans: Part of our problem is that we work very hard to put funding packages together. They take a lot of time and it is one of the things we like to think we are quite skilled at, bringing a lot of funding partners together to create a funding package. All those people who give us money will say: “That is the money, there is nothing more, it is your risk now”, so for a £25 million project we will get the money and it will all add up to £25 million. If actually during the execution of the project it becomes £26 million that is our risk. Now, we can deal with that on a small number of projects but we cannot have a large number of projects with that risk because if they do go over, and these are big technically difficult
challenging projects spread over a number of years, any money we put into those restorations just means it is less money we are putting into our existing network.

Q332 Chairman: Can I mention one point you have not mentioned at all? I pop along annually to the Saul boat gathering, which for a small canal trust restoration body raises quite significant money. Have you thought about going big time into the events area? You could do Handel’s Water Music all round the country, and weddings on water—this is serious money. One event can raise you, if you know what you are doing, several million pounds. You have venues that some private sector organisations would die for.

Mr Hales: I think we have to be careful as to how far we stretch our management skills.

Q333 Chairman: You do not have to do it. You just do it in partnership with somebody.

Mr Hales: We have done events at the Falkirk Wheel which the Scottish Executive are delighted to fund because it is building on a major tourist event. It does cost some money and it is not our money. We have done events at Canary Wharf; we have turned it into a beach scene in the summer with support from Mr Livingstone and the London Authority.

Q334 Chairman: And that makes you money?

Mr Evans: No.

Mr Hales: It brings in people. We have found no way yet of making money out of events. If you can introduce us to somebody who would like to partner with us and give us ten per cent as a facilitator we would be delighted to do it.

Mr Evans: If I thought for a moment there was a chance of a tenth of a million pounds profit from an event we would be doing it. All our experience is it is not easy, we do not have the venues, Saul Junction and festivals like that are absolutely fantastic but they are all run by volunteers and that is why they make money, because all the hundreds of people involved in that, before and on the day, receive nothing for their efforts and it all goes into the profits. If you take British Waterways or a professional organisation all that has to be paid for and therefore it is very difficult to make money from events other than in event venues.

Q335 Mr Jack: Moving on to freight, you heard our earlier exchanges so you know the areas we are interested in, and I think we have heard some encouraging messages about the potential for waterway development both during the construction phase and thereafter with the Olympics, but there is that sort of nagging feeling that the old freight side is all a bit of a bore because it does not raise much money, as your report indicates. If you look at the column inches devoted to freight in it, they are very small and column inches for everything else is very large. It strikes me it is all in the “rather too difficult” column.

Mr Hales: There is a market out here: why is freight not going on to the waterways? The market is not irrational. The great transport companies are not choosing to put freight onto the waterways because at the moment it is not economically sound in most of the cases. We are not running those companies but one might hypothesise that. First, most freight today goes through containers and particularly the narrow waterways are not capable of moving containers because the bridges are too low, so there has to be a separation. I am being prejudicial in these remarks but it is a bit romantic to talk about major freight on the narrow waterways. The question is whether there is a serious freight opportunity on the broader waterways, the Aire & Calder, the Trent, the Severn and the Scottish canals. There may be. The fact is at the moment we spend a million pounds a year in extra dredging and we get half a million pounds back. We have had a very disappointing response out of the dredging of the Severn; I think there has been one movement of aggregates down there as a result of the expenditure there.

Q336 Chairman: I know a bit about the history of that and, to be fair, you did market it quite strongly, so why was it there was such a poor response?

Mr Hales: I am suggesting that the economics at the moment are not there to move freight seriously on the water. You have asked the question a number of times about carbon emissions and there is one sixth of the carbon emissions moving freight on the water, so if there is a way of finding a value which is ascribed to a transport company, not to British waterways, which changes the economics of moving goods according to the amount of emissions they are making, that creates the environment where it may be more attractive for freight to go on the waterways because of course we would love it.

Q337 Mr Jack: You heard Sea and Water in response to my probings about this Oxera study, and they were not exactly very complimentary about the fact there seemed to be rather a short timescale from what they thought might be potentially a very interesting area to evaluate. And I think that is the thing that has been frustrating. Every witness so far has extolled with enthusiasm the potential but when you come up with: “Where is it? How much is it? What does it cost? Tell us the facts”, it all evaporates. Is this Oxera study going to answer these things definitively?

Mr Hales: It will take us a lot further forward. We are conscious that there is a lot of opinion expressed. I have expressed an opinion to you. The fact at the moment is we spend a million, we get half a million, there are very few movements, the amount of tonnage is going down—why is that? Because the
market does not want to use it. We could have more wharves but what would be the point of them at the moment?

**Mr Evans:** Can I also say what we have to remember is we are just a part of waterway transport. It is estuarial, intercoastal—it is joining it all together. People often say to us: “Why are you not driving freight? Why are you not making a difference?” Well, we can where we happen to have water against a place of origin, a gravel pit or where waste is produced—

**Q338 Mr Jack:** In these matey little chats you are having with Defra every week, do they not say: “Yes, we agree with you, there are some really good environmental gains to be made; our friends in other parts of government have got some money to put by this; we will ring up the Department for Transport or the DTI and see if we can get a bit of cash to compensate you for these extra costs you are having to incur to open up some of the waterways and perhaps a bit of marketing”? Do you ever get any kind of hint that Defra are vaguely interested in assisting you on this?

**Mr Evans:** They are very sympathetic and I think they have traditionally found it is as difficult to find sources of money from other government departments as we have.

**Q339 Mr Jack:** So you can unequivocally say, just to strip away that beautiful diplomatic language, that the answer is Defra have tried and failed?

**Mr Evans:** I think it is for them to say more than me.

**Q340 Mr Jack:** I think I can take that as a “yes”.

**Mr Hales:** The exception is the Olympics. There are huge amounts of aggregates going in; it is an area where, frankly, the roads, almost whatever the cost, could not have taken it. We have all worked really hard to get this off the ground and we are hugely excited about it being a showpiece, but it is exceptional. The Department for Transport have not actually signed up yet but we think they will and we have gone ahead without it, so it is yet another risk that we are taking on the chin. This is the theme that keeps coming through, that we are having to take more and more risk with less and less resource.

**Q341 Mr Jack:** That is a little bit concerning, that your sponsor department, Defra, have not nailed down the Department for Transport. When I read the press release and all these glowing comments by ministers extolling the virtues: “Olympic Minister says the restoration of the neglected waterways of the Lea Valley will be vital to achieving our commitment to make London 2012 environmentally sustainable”—I am falling over looking at the enthusiasm.

**Mr Hales:** We are doing it.

**Q342 Mr Jack:** And the Department for Transport have not signed up yet?

**Mr Hales:** They should do, but they have not as of today.

**Q343 Mr Jack:** What happens if they do not?

**Mr Hales:** We will carry the risk.

**Mr Evans:** That is when we would expect our Defra colleagues to come in and seriously help us sort out that issue.

**Q344 Mr Jack:** So really the question of freight is: Like to do more, does not make much money, possibility on some canals, study will give us a better indication but it is still to a certain extent the poor relation in terms of where your management time is going, management time focusing on leisure and property, maximising the assets in that direction?

**Mr Hales:** We do not expect and do not think there is anything we can do on our own to get freight back on to the water. It will require a change by government of the economics by something like an emission tax or some other statutory subsidy to put freight back on to the water. What I am suggesting to you is that rather than that being looked at as some sort of broad “Let’s get freight on”, let’s concentrate on those areas of the greatest possibility. The Manchester Ship Canal—not our water—is clearly a wide canal which is a possibility; the Aire & Calder is a possibility; it would be great to see the Severn actually get going as a possibility.

**Mr Evans:** Just to add something to what you have said, I would not want you to think that we are not actively trying to promote freight. We really do want freight and one of the ways in which we can really help is if planning authorities’ strategic plans said more about water, and we have a strategic planner who has done road shows to every planning authority and continues to do them extolling the virtues of water and making them put water in the plans. Also, when big infrastructure projects come along it would be really important for the planners to say: “This infrastructure project can go ahead but 15% of materials must come by water, if that is a possibility”. We had an example up in Scotland recently where there is a new hydroelectric station being built and we came on that too late and were not involved, and simply because the contracts were virtually let and they could all bring it by road we failed to bring it by water. If the planners had said: “You can build this but 20% has to come by water—slam dunk, we are there. We are also working with Yorkshire Forward and trying to get containers from Humber, Goole, into Leeds. It sounds easy but it is not. We have them into Leeds but we cannot get them back at the moment because they are too light and too high in the water and cannot go under the bridges, and that is quite an issue because you can...
Mr Evans: I do not. I am about to set off on a roadshow to meet all the chief executives of all the major local authorities that we go through, but we do not have much to do with the LGA.

Mr Evans: We will certainly look at that.

Q349 Chairman: It would help us because we might then get a submission from them in due course. If I can conclude, then, on relationships with the customer, certainly you heard what I said in the first part when we were talking to Sea and Water and the Commercial Boat Operators and it was interesting that they said there was no consultation over the issue of your winding up of the freight unit. Do you not think it remiss of you that you did not consult formally with those who, at the very least, stand to probably do less well because of your unwillingness to carry on with that part of your business?

Mr Evans: I thought about that when you asked the question, and whether that was a fair criticism. I think I am still of the opinion that it is my job to manage and organise British Waterways in the best way I think fit and most effective, and I think that was an operational issue for within British Waterways. We were just changing the way we operated from having a central freight team to putting accountability into the nine business units, so I do not think on that occasion it was necessary to consult with the CBOA. They wrote to me afterwards and we had a very constructive meeting with them and discussed ways of jointly working together since then, but I do not feel on that occasion we were wrong in not consulting.

Q350 Chairman: I think about the leisure side of the business I think I just about understand the various different organisations, but it is a pretty confusing picture out there. From all the evidence we have received they quite like the relationship; some individual boat owners have been critical of BW in terms of what you have said and done about the cuts, but would you see some benefit in terms of streamlining the way in which you consult with the leisure industry and, indeed, those who are volunteers for the various leisure parts of that industry?

Mr Hales: I do not think we can tell them how to organise themselves. One of their great strengths is there is a large number of local organisations and they are federated. The Inland Waterways Association is clearly the biggest one.

Q351 Chairman: You have IWAAC, but how much notice do you take of them? Not every organisation has its own statutory body that you presumably have to consult with.

Mr Hales: There is IWAAC, which is there to advise government on all the waterways.

Q353 Chairman: But you must talk to them, surely?

Mr Hales: Yes, we do. The most important one to us is the British Waterways Advisory Forum which brings together representatives of the IWA, the cruisers, even the Horse Boat Association is represented on that, and we meet twice a year to
Mr Evans: We work really hard to be open and accountable. We have local meetings; each business unit has meetings twice a year with local people open to the public to discuss issues, they can raise anything; we have regular national boating issues meetings so that people who are enthusiasts who have particular issues about boating aspects can come along and talk about those; we have recently merged in with boating and we have a separate one about towpath issues; we have an annual meeting with the British Waterways Advisory Forum; we are really keen. We talk with our customers, we do a lot of market research to understand what our customers talk about and feel, so this is very important to us, and I am pleased that the response you say that you are getting back is that generally it seems to be working. Of course there is more talking and more consultation that they would like, and I think trying to get that into proportion is always the challenge.

Chairman: Gentlemen, I have no more questions and I am sure as a Committee we thank you for the robust way in which you have defended what you have had to say. This is not quite the end of our relationship in as much as you will be no doubt contributing to our day in Gloucester to find out what is happening in practical terms. As I say to every participant what you have said I am afraid will stay said, but there may be additional evidence you will want to provide us with. We certainly could do with a copy of the marina book, which I certainly have not seen and would like to see. I thank you for what you have said; we will write our report and hope that we may at least keep the waterways up the agenda. Thank you.

Further supplementary memorandum submitted by British Waterways (BW 11c)

BW’S RELATIONSHIP WITH THE LGA

1. British Waterways’ (BW) network of canals and rivers extends for 2,200 miles and passes through multiple Local Authority areas. BW’s relationships with these local authorities varies from area to area and on individual policy aspects relating to the waterways. BW it has many productive relationships with local authorities that meet both organisation’s objectives across a range of policy areas.

2. The Local Government Association (LGA) “...exists to promote better local government...” and “...to put local councils at the heart of the drive to improve public services and to work with government to ensure that the policy, legislative and financial context in which they operate, supports that objective.” (www.lga.gov.uk (‘About us’)).

3. While BW has many productive relationships with individual local authorities, helping to deliver waterway-related benefits to local communities, it currently has no formal relationship with the LGA.

4. BW would be keen to see a formal, high level relationship with the LGA emerge during 2007 since it believes that such a relationship would have mutual benefit to each organisation and also to the LGA’s individual members.

BW believes that benefits would arise in the following areas of Local Government policy and implementation:

— National Planning Policy: this policy area is currently under review by central Government, and once the review is completed, it will have a number of effects on local planning rules and guidance. One example is the need for more marina berths (10,000 by 2015) to cater for the forecasted growth in leisure boating. Currently, individual planning applications made by private developers for green field sites alongside the canal and river network are viewed (in the majority of cases) unfavourably by local authority Planning Committees because they are seen as being in contradiction with current planning guidance and policy. In reality, these sites can provide considerable benefits in terms of jobs and local services to the rural economies through which 75% of BW’s network passes through.

— Proposed Planning Gains Supplement: due for implementation in 2009, it is expected that individual local authorities will have a high degree of control on how revenues are distributed locally. BW would find it helpful, through an active relationship with the LGA, if guidance issued centrally by the LGA took account of the benefits of waterways to local communities and the role BW has in maintaining and enhancing local waterways.

— Economic Development (waterside regeneration): BW is currently directly involved in over £6bn of waterside regeneration, creating new and rejuvenated public realm from which local communities benefit in terms of housing, employment and leisure activities.
— *Transport policy implementation:* BW’s network of towpaths, particularly in urban areas, provide a safe, green route for commuters and other functional-style visits. These directly contribute to local authorities’ Local Transport Policies (LTP), and as such BW receives some monies from local authorities for the care and upgrade of towpath surfaces. Greater involvement at a national level with LGA representatives would help bring more consistency to individual local authority implementation of LTP’s.

British Waterways

*April 2007*
Monday 16 April 2007

Members present:
Mr David Drew, in the Chair
Mr Michael Jack  Sir Peter Soulsby
David Lepper Roger Williams

Memorandum submitted by Steve Davis and Dr Paul Woollam (BW 16)

EXECUTIVE SUMMARY

1. The inland waterways under British Waterways’ management are delivering tangible benefits in reviving deprived areas, in maintaining our national heritage and in developing employment. These benefits are delivered to the general public, not just to boat owners.

2. The canals attract investment into rundown, problem towns and cities. British Waterways is involved in schemes that are driving £6 billion of waterside regeneration with the potential for 6,000 new homes. Reductions in Government grant will threaten regeneration projects through loss of investor confidence.

3. The revival of the network brings direct economic benefit from boating activities supporting at least 3,200 permanent and 650 part-time jobs. Reductions in British Waterways’ ability to maintain and improve the network will ultimately lead to a reduction in boating and to the economic activity that this represents.

4. Cuts in Government grant mean that British Waterways will inevitably be forced to reduce maintenance on structures that, in many cases, are 200 years old and performing duties that their builders could not have conceived. This suggests a very real potential for loss of life or serious injury.

5. Unless the British Waterways grant cuts are reversed, the canal system in England and Wales is in danger of reverting to its pre-1980s state, with a significant proportion again becoming un-navigable.

6. Government has an obligation to maintain our archaeological canal-based heritage for future generations; it should adequately fund British Waterways to perform this important and unique role. It is noteworthy that 95% of the 300 million people who visited the waterways see the canals as an important part of the nation’s heritage.

7. Boats and boat movements are crucial to creating the vibrant network that British Waterways seeks. The majority of visitors to our canal network come to see boats moving and the historic structures being operated.

8. Boat owners already contribute £30 million per year to British Waterways’ income. Reductions in grant cannot credibly be made up by increased costs to this single group of waterways users.

9. A new approach to funding is needed that protects our canal heritage for future generations. Inevitably, much of this funding will have to come from Government. This suggests that more competition is needed to manage the waterway network, using fee-based, performance driven contracts with appropriate incentives.

10. It is notable that:
   — The Scottish Executive takes a radically different view of waterways funding than does DEFRA.
   — The DCMS funding to visitors ratio for English Heritage sites is 60 times higher, at £12.60 per visitor, than the DEFRA equivalent of 20p per visitor for British Waterways’ network.

1. INTRODUCTION

1.1 We are Steve Davis and Paul Woollam. We are boat owners and our evidence is presented from the perspective of users of the canal network with significant experience of British Waterways’ management of the system.

1.2 Steve Davis started taking regular canal boat holidays in 1990. In 1999 he bought his own boat and since then has travelled the majority of the British Waterways network. His narrowboat, Carpe Diem is moored on the Gloucester and Sharpness Canal. Now retired, he was formally Information Technology Director for the Avionics Division of BAE Systems Limited.

1.3 Paul Woollam first used the inland waterways system as a hire boater in 1963, when he was aged 16. He has owned boats on the network since 1973 and currently owns narrowboat Dream Maker moored on the Gloucester and Sharpness Canal. He is a chartered physicist employed by British Nuclear Group as a senior consultant.
1.4 Over the six months to December 2006, we have worked closely with British Waterways’ South West Regional Manager, particularly in performing multi-attribute decision analysis to inform stakeholders of the options available to maintain winter opening of the Gloucester and Sharpness and River Severn navigations following DEFRA’s cuts to British Waterways’ grant. British Waterways accepted the outcome of our analysis, which is planned for implementation in February 2007.

1.5 We have produced a briefing paper for our Member of Parliament, the Rt Hon David Drew, which was referred to in the Adjournment Debate on British Waterways held on 6 December 2006, secured by the Rt Hon Sir Peter Soulsby.

2. THE SCOPE OF OUR EVIDENCE

2.1 This evidence is submitted to the Environment, Food and Rural Affairs Committee Inquiry into the work of British Waterways. With regard to the Inquiry’s terms of reference, it is intended to inform the Committee from the boaters’ perspective in relation to the impact of recent reductions in grant from DEFRA.

2.2 We appreciate that the majority of British Waterways’ income does not derive from boat owners. However, we submit that boats and boat movements are crucial to creating the expanded, vibrant network that British Waterways seeks and that the majority of visitors to our canals come to see boats moving and the historic structures being operated. We therefore believe that the boaters’ perspective on British Waterways’ management has a significance that extends beyond their contribution to income.

2.3 In Section 3, we describe our view of the current heritage and socio-economic impacts of British Waterways’ operations.

2.4 In Section 4, we discuss the threats to health and safety, to economic activity, including regeneration, and to heritage that we believe will result from cuts in British Waterways’ grant from DEFRA.

3. HERITAGE AND SOCIO-ECONOMIC IMPACTS OF BRITISH WATERWAYS’ CURRENT OPERATIONS

Background

3.1 The waterways network developed during the 1700s and was a major factor in the economic success of Britain during the next 100 years. The canal network declined in the late 1800s due to competition from railways; during the period 1920 to 1980, a large proportion became un-navigable.

3.2 Today, the canal network has been revived thanks in part to additional Government investment of £70 million for England and Wales since 1997. The network now plays an important part in the well-being of the nation with a contribution that extends well beyond hard economics; this is recognised and valued by Government.

Heritage—intergenerational equity and sustainability

3.3 The UK canal network receives 300 million visits each year from people who enjoy such diverse activities as walking, fishing, bird watching, cycling, rowing, canoeing and photography. Only 3% of these visits are for boating activities. Academic and English Heritage studies suggest that a total benefit to health and general well-being of over £140 million per year is being derived from these visits by non-boating members of the public.

3.4 The network is unique and presents a rich architectural and ecological heritage that also attracts enthusiasts, historians and sightseers. British Waterways is charged with maintaining the built heritage in a sustainable fashion and, with 2,739 listed structures, is third only to the Church of England and the National Trust in stewardship of heritage structures. It also has responsibility for 65 Sites of Special Scientific Interest (SSSI).

3.5 British Waterways spent around £110 million per year in the years 2003–04, 2004–05 and 2005–06 maintaining the network. In part, this expenditure helped to keep listed structures in compliance with English Heritage guidelines and maintain SSSIs in line with UK and EU legislation.

3.6 British Waterways has a key role in ensuring intergenerational equity is maintained. For example, the Government has nominated the Pont-Cysyllte Aqueduct to be a UNESCO World Heritage Site, citing its role in the improvement of transport to provide the arteries of industrialisation, symbolising the world’s first Industrial Revolution and its transformation of technology.
Socio-economic impact—regeneration

3.7 Over the past few years, several deprived inner city areas have been regenerated using the waterways as a catalyst. Examples include Gloucester, Birmingham, Chester, Manchester and Chesterfield11. The economic benefits of canal regeneration include around 1,700 jobs created from the Millennium Link in Scotland12, £2.5 million extra spending per year plus around 20 new jobs resulting from the re-opening of the Huddersfield Narrow Canal13 and £235k extra spending per year in Llangollen from the creation of a 32-berth mooring basin14.

3.8 Currently British Waterways is involved in schemes that are driving £6 billion of waterside regeneration with the potential for 6,000 new homes15.

3.9 The power of the canals to attract inward investment into rundown, problem towns and cities is well recognised by local and national government and the voluntary sector. In 2005, British Waterways received £9.5 million16 from local authorities, Regional Development Agencies, Lottery Funds, Canal Trusts and the European Union for work to improve the canals, which will in turn attract inward investment creating jobs and housing for local communities.

Socio-economic impact—boating activities

3.10 The revival of the network brings a direct economic benefit to the UK from boating activities:
- Hire boat operators employ around 1,200 permanent and 650 temporary staff generating a turnover £45 million per year17 of which £3 million18 comes from foreign tourists.
- There are currently 29,000 licensed boats19 supporting around 500 jobs in servicing and spares.
- The pub and restaurant trade receives an estimated annual income of £7.5 million from boaters.
- Boat insurance produces yearly revenues of £6 million, adding benefit to the City.
- The annual moorings revenue for 29,000 boats20,21 is in the order of £25 million.
- 1,000 new boats are built per year with a value of £65 million22 supporting 1,500 jobs.

3.11 Boat licence and mooring fees paid direct to British Waterways produce an annual income of £16 million23; in addition, we judge that a further £14 million of other moorings revenue (above) goes to British Waterways24 via property rentals from marina operators.

3.12 Boat owners, although a small fraction of all waterway users, currently contribute £30 million per year to British Waterways’ income.

3.13 This assessment of the economic impact of boating on the canal system is necessarily conservative and shows that a minimum of £165 million per year goes into local, often deprived, economies as a direct result of boats using the system operated by British Waterways. This boater-created economic activity supports at least 3,200 permanent jobs and 650 part-time jobs (paragraph 3.10).

3.14 The Environment Agency has 32,000 boats registered on its rivers and estimates that around 100,000 jobs are supported by the Thames alone with an annual visitor spend of £200 million25. Like British Waterways, the Environment Agency is engaged in regeneration schemes with a major initiative in the Fens Link that is estimated to deliver £12 million annual new spend in the Fens.

Socio-economic impact of British Waterways’ operations—summary

3.15 A minimum of £165 million per year goes into local, often deprived, economies as a direct result of boats using the system operated by British Waterways. This boater-created economic activity supports at least 3,200 permanent jobs and 650 part-time jobs. Boat owners contribute £30 million per annum to British Waterways’ income.

3.16 The inland waterways under British Waterways’ management are delivering tangible benefits in reviving deprived areas, in maintaining our national heritage and in developing and sustaining employment. This view was supported by Government review, where the need for sustained Government support was also acknowledged26.

4. THREATS FROM CUTS TO BRITISH WATERWAYS’ GRANT

Background

4.1 British Waterways is working towards its ambition of “...creating an expanded, vibrant, largely self-sufficient waterway network... regarded as one of the nation’s most important and valued national assets”. We submit that British Waterways has made some progress in meeting that part of its vision associated with an expanded and vibrant waterway network. However, Government grants have risen from 37% of total revenue in 2001–02 to 40% in 2005–0627; clearly, there has been no progress towards British Waterways’ vision of self-sufficiency.
4.2 Historically, British Waterways has been reliant on Government grants. For the reasons laid out in our evidence, we believe that, in the national interest, this should continue to be the case. However, in England and Wales, (though not in Scotland) a consistent funding mechanism via DEFRA is now demonstrably in doubt.

4.3 British Waterways has told boat owners using its system to prepare for significant price rises in 2008 and beyond, primarily to compensate for cuts in Government grant. As noted in paragraph 3.12, British Waterways currently receives about £30 million from boaters in respect of mooring and licence fees.

4.4 By 2010–11 British Waterways expects its grant income to have dropped by £16 million from that received in 2005–06. If this deficiency is to be made up from boating revenues, the annual cost to the average boat owner will rise by £660 to £1,900, an increase of 53%.

4.5 It is a mistake to believe that all canal boat owners are wealthy and can afford these increases. A 2005 British Waterways' survey shows that 34% of boat owners had a gross annual income of less than £25,000. A Government survey of Family Spending for 2004–05 indicates this group has an average net income of £13,900, primarily from pensions, annuities and benefits, with less than £3,000 per year discretionary spending power. An additional £660 per year payment to offset cuts in DEFRA's grant equates to a 22% reduction in the discretionary spending power of a third of British Waterways' customers. It is therefore inconceivable that boaters' current £30 million contribution to British Waterways' income could be increased sufficiently to match cuts in Government grants.

4.6 A large increase in boating costs would drive a number of boaters from the canal network, leading to the market being flooded with second-hand boats, a slump in new boat sales and some boat builders going out of business. The likely doubling of fuel costs due to the loss of “red” diesel would accelerate this trend.

**Threats to health and safety through maintenance reductions**

4.7 Despite Government grants, there remains a backlog of maintenance estimated at £119 million in 2006.

4.8 Above all else, British Waterways must maintain 2,000 miles of waterway so they are safe and accessible to 29,000 boats and 300 million individual visitors per year.

4.9 Since the DEFRA cut, British Waterways has been forced to reduce maintenance on structures that, in many cases, are 200 years old and performing duties that their builders could not have conceived. The trend of reduced maintenance is likely to continue without adequate Government funding. This suggests a very real potential for loss of life or serious injury. The eventual cost of bringing canals back up to their present standard will increase and in the meantime, damage from canal breaches and other structural failures will still have to be funded by Government.

**Threats to heritage, intergenerational equity and sustainability**

4.10 The recent cut in grant by DEFRA runs counter to past Government statements and puts the future of the inland waterways at risk.

4.11 Because British Waterways has a duty of care to its employees, customers and visitors, the impact on maintenance of the DEFRA grant cuts will mean that parts of the waterways network will necessarily be closed for safety reasons. For example, the towpath through the Netherton Tunnel in the West Midlands is shortly to be closed indefinitely to visitors, due to its poor state of repair, because British Waterways has insufficient funding for its maintenance. Although British Waterways has no current plans to close the tunnel to navigation, this will eventually become a real possibility unless adequate funds are made available properly to maintain the heritage represented by this structure.

4.12 The DEFRA cut will also threaten restoration projects; there are nine restoration projects currently underway. Two schemes at potential risk are the Manchester, Bolton and Bury Canals and the Stroudwater Canal, both of which are central to extensive plans for local regeneration. Recent reports suggest that plans to restore the Manchester, Bolton and Bury Canal are effectively dead.

4.13 We submit that Government has an obligation, through British Waterways, to maintain our archaeological canal-based heritage for future generations. It is noteworthy that 95% of the 300 million people who visited the waterways see the canals as an important part of the nation’s heritage. We submit that it is Government’s duty to fund heritage maintenance and that British Waterways’ grant should accommodate its unique position, as does the DCMS grant to English Heritage.

4.14 However, we note that DCMS grants to English Heritage have risen year on year since 2001–02 to £125 million, twice DEFRA’s grant to British Waterways. English Heritage receives 9.7 million visitors per year, one thirtieth of British Waterways’ visitors, and it maintains fewer heritage structures.

4.15 British Waterways has a corporate action plan for heritage that aims to improve heritage skills and understanding within its staff. As with any organisation charged with maintaining historical or heritage sites, corporate memory, record keeping and learning from experience are keys to success.
4.16 Reductions in Government grants will inevitably threaten regeneration projects through loss of investor confidence. A visit to any large-scale regeneration project, particularly if it includes housing, will show that sales are predicated on a vibrant waterway location filled with boats.

4.17 In addition, reductions in British Waterways’ ability to maintain and improve the network will ultimately lead to a reduction in boating, through boat owner and boat hirer disillusionment, and to the economic activity that this represents.

4.18 Unless the British Waterways’ grant cuts are reversed, we submit that the canal system in England and Wales is in danger of reverting to its pre-1980s state, with significant portions again becoming un-navigable. Less people will visit, local jobs will be lost, and more Britons will holiday abroad with the consequent loss of UK revenue. This runs counter to the Government’s sustainable development strategy.

4.19 British Waterways is funding the recreation of large numbers of people who pay no direct contribution for the upkeep of the facilities they enjoy. In the longer term, funding for British Waterways needs to be provided on more rational basis. Several funding options are possible and have been discussed in the past. In light of the current situation, it seems appropriate that these options are reviewed again.

4.20 As with British Waterways, the Environment Agency needs reliable future funding to maintain and develop its navigations for the benefit of the economy, our heritage and visitors alike.

4.21 In Scotland, the Scottish Executive has accepted British Waterways’ need for increased funding and has confirmed that its grant will increase year on year, so that in 2007–08 it will be 28% higher than the baseline grant in 2005–06.

4.22 Cuts in British Waterways’ grant cannot credibly be made up by increased costs to boat owners. Inevitably, maintenance will suffer, leading to health and safety consequences and eventual closure of parts of the network. Regeneration and restoration projects will suffer as investor confidence wanes, reducing inward investment to the more deprived parts of the country. In the long term, our national heritage will be diminished.

4.23 We submit that grant reductions will start a downward spiral of reduced boat ownership and movements, which Government could use to justify even less grant, leading to further reduced maintenance. This is a recipe for slow but sure loss of a part of our national heritage seen as important by the vast majority of people visiting the network.

4.24 An alternative approach to funding is needed that ensures that the heritage represented by the canal system is protected for future generations. Inevitably, large parts of this funding will have to come from Government.

4.25 However, Government must have a reasonable expectation that taxpayers’ money will be spent efficiently and effectively. This suggests that more competition is necessary for managing the waterway network.

4.26 The national heritage interest may be better served by splitting British Waterways into a series of specialised units (maintenance, restoration, craft licensing, property management etc) and competitively tendering the management of each for a fixed term using fee-based, performance driven contracts with appropriate incentives that encourage accelerated restoration, backlog maintenance, reductions in licence evasion and so on.

4.27 It is notable that the Scottish Executive takes a radically different view of waterways funding than does DEFRA and that the DCMS funding to visitors ratio for English Heritage sites is 60 times higher, at £12.60 per visitor, than the DEFRA equivalent of 20p per visitor for British Waterways’ system.
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*Steve Davis and Dr Paul Woollam*

*January 2007*
Memorandum submitted by Sir Adrian Stott BT (BW 06)

SUMMARY

The Government has officially recognised that the waterways are a very significant national asset. However, this recognition has not been translated into the actions needed to remedy long-standing and increasingly damaging problems associated with their management.

Two particular issues are:

Finance

Since their decline as a freight mode, the waterways have been incapable of supporting themselves through direct charges on their users, especially their boating users. They require permanent government financial support. This is justified by their large informal public use.

The waterways are long-term liabilities, being collections of engineering structures requiring regular annual maintenance and periodic replacement. These liabilities must be matched by secure long-term revenues if their operation is to be effective and economic.

Government grant is thus a fundamentally unsuitable form of financial support for waterways. A much more suitable replacement would be a one-time capital endowment, to allow the navigation authority to invest in real estate for income and capital gain that will be sufficient every year to cover the difference between its long-term and current costs and its revenue from users.

Structure

Through accidents of history, there are two national navigation authorities in Britain—British Waterways (BW) and Environment Agency (EA). This duplication is producing needless expense. It is also causing inconvenience and added cost to boaters through inconsistency of standards, regulations, and systems of charges.

BW was purpose-designed as a navigation authority. As a commercially-modelled arms-length publicly-owned corporation, it is very well suited to the task. On the other hand, EA’s navigation function is a tiny part of a huge regulatory organisation, fundamentally unsuited in design, mindset, or financing for the navigation authority role.

EA’s navigations should forthwith be transferred to BW, and EA’s navigation authority role be terminated. This would produce both immediate annual savings and long-term improvements in national waterway management.

EA argues that it is essential for it to remain the navigation authority on rivers, to ensure effective flood control. However, BW has long been the navigation authority on major rivers such as the Severn and Trent without EA’s flood control there being negatively affected. EA’s argument cannot be sustained.

INTRODUCTION

The following discussion is organised under headings consistent with the topics the Committee is to address, ie:

— Current users.
— Financial framework.
— Stewardship.
— Potential for growth.
— Relationships.

1. USERS

The waterways network is now used annually by millions of people. However, a relatively small minority of them navigate, either for leisure or commercial purposes. The large majority visit the waterways on foot or by bicycle, or simply enjoy the view of them from a riparian property.

The former tend to be formal customers of BW, typically paying navigation charges. The latter are usually informal visitors, typically paying nothing at all.

It is generally accepted to be unfeasible to charge an informal visitor for each use of or visit to a waterways. An attempt made a few years ago by BW to charge bicyclists for riding on the towpath was abandoned in the face of strong opposition from the bicyclists.

However, it is also recognised that BW merits financial support in recognition of this large informal use. This recognition is embodied in the annual Government grant to BW.
Although the waterways are attractive to visitors for many reasons (heritage, technology, wildlife, etc), a major reason people visit is simply to see boats. Yet despite their clear contribution, boat owners are viewed by government as the principal beneficiaries of the waterways, and thus the appropriate providers of a large proportion of BW’s revenue.

Moreover, government tends to see provision for navigation as the most costly element of BW’s operation. However, studies have shown that the difference in expenditure between that required for the safe retention of an unnavigable water channel and keeping that same channel in navigable condition is relatively small. Unavoidable costs associated with engineering stability, integration with drainage systems, provision of a corridor for utilities, prevention of flooding, etc usually well outweigh the marginal cost of navigability. As long ago as the 1960s, a government report The Facts About The Waterways recognised that it is often more expensive to eliminate a waterway than to retain it.

Ironically, the extra costs falling on boaters as a result of these inappropriate perceptions is proving them to be a self-fulfilling prophesy, as boating is steadily becoming too expensive for many people.

So, although the waterways are a hugely-valuable asset, it must be understood that they cannot survive based on direct charges. A significant part of BW’s income must continue to come from government in some form. Failure to recognise this will result in the waterways becoming ever-more elitist, and in the charges to users eventually reaching the point of diminishing returns thus threatening the waterways’ very existence.

2. Financial Framework

It is a core principle of finance that income should match liabilities. Failures of organisations which attempt to match long-term liabilities with short-term revenues continually reinforce that message. Yet this mismatch is exactly the situation into which the government has forced BW.

BW’s waterways, many now over 200 years old, consist of thousands of significant engineering structures dispersed in a physically hostile (ie wet and exposed) environment. Such structures require constant maintenance and periodic replacement, not just to keep them usable but simply to prevent their collapse at substantial risk to life and property. They are textbook long-term liabilities.

Maintenance needs to be done at the same average level every year. Failure to do so obviously means that the amenity of the waterway declines (eg the channel become awkwardly shallow to navigate, due to lack of dredging). However, perhaps less obviously, the work required in any given year is not avoided by not doing it in that year. It accumulates if not carried out, and must be caught up later. However, it is usually the case that when the work is caught up, it costs (often substantially) more than it would have done if carried out on schedule. This is because degradation accelerates, so that remedying it later requires more (and more expensive) work than doing so earlier. An ounce of prevention here is indeed worth a pound of cure.

Also, it is not possible to economise on the scope of maintenance required. Attempts to do so are almost never cost-effective, and often financially and operationally disastrous.

As a result, the Government should understand that there is an irreducible amount of maintenance that must be carried out annually if the waterways are to be retained. Further, maintenance effort must be constant on average, and cannot sensibly by cut one year and (perhaps) reinstated another.

In fact, it costs little if any more to keep waterways in a good condition than in a poor one. Consider dredging. The same amount of silt accumulates in a given waterway on average each year irrespective of its depth. So, at least that amount must be removed annually on average, or the channel will eventually clog completely. (In fact, dredging of any given length is usually done most appropriately every 20 years or so).

On that basis, one might as well remove that silt while the waterway is still deep enough to use as intended, as wait until it gets awkwardly shallow. (Waterways are built sufficiently deep to allow for some silt to accumulate without usage being impeded.) The cost per tonne removed is much the same either way, and the number of tonnes to be removed is the same or less. (Wash from boats is greater in a shallower channel, so dredging backlogs cause greater erosion from banks. The eroded material must then be dredged out as well.)

However, one of BW’s main income streams is Government grant, a clear case of short-term revenue. It is absolutely insecure in amount from year to year, being set annually through politics. As we have just seen, it can actually be withdrawn or reduced after it has been granted (and even after expenditure based on it committed). It is both an unsuitable and damaging model for the financial support of an organisation with the types of long-term liabilities that BW has.

We have seen that BW will always need public financial support to reflect usage for which it cannot feasibly charge directly. We can now also see that this support must be secure, long-term, constant, and (to achieve best value for public expenditure) at a sufficient level to cover the unavoidable costs of the proper maintenance of the waterways.
3. STEWARDSHIP

BW has long realised the vulnerability caused by its dependence on Government grant. As a result, it has worked diligently to develop additional sources of revenue.

Some of these have taken the form of finding new directly-chargeable users. A good example is the use of the towpaths as alignments for communication fibre. However, such new uses are very hard to find.

A much more significant other source is real estate, either through rental income or capital proceeds from development.

BW inherited a good-sized estate. Through careful management it has enlarged and developed it into a major asset that now provides a significant part of its annual income, and thus vital financial support for the waterways.

Real estate appears to be an ideal way to finance the waterways. It is a long-term asset, to match BW’s long term liabilities. The income levels from it are secure, as although the property market does rise and fall, investment in it can be in ways that even out the fluctuations in revenue from it over the long term.

Further, although in theory the Government could suddenly withdraw from BW the capital represented by its property, in practice this is highly unlikely. Thus a property portfolio gives BW the secure ability it needs to make and carry out its long-term maintenance and capital replacement plans. Further, the Government remains the owner of the capital, so its application to the production of revenue and gain from real estate is not classed as government spending requiring annual political review.

Assuming that the Government is going to continue to provide to BW the financial support necessary to make up the difference between its unavoidable costs and its revenue from users, as this submission argues it must if the waterways are to continue to exist, then a real estate portfolio appears to be a much more suitable method of doing so than annual Government grant.

BW has achieved reasonable expertise in real estate, not just in a direct landlord role but also as a development partner with other concerns and as a developer in its own right. Its success shows that it merits trusting with more capital in this area, which it could manage at small marginal cost using its current structure and staff.

Provision now by government of a one-time endowment of sufficient additional capital, in the form of a perpetual loan (as either real estate or a lump sum for investment in real estate), would allow complete replacement (ie elimination) of the unsatisfactory Government grant to British Waterways. Based on long and good experience with this form of funding elsewhere (eg at universities such as Harvard) for support of institutions, this approach has much to recommend it and deserves serious consideration by the Government.

4. TRAFFIC

BW has proved that its waterways are increasingly attractive for leisure. A thriving industry has built up in this respect, supported by an enthusiastic and loyal customer base.

However, the increasing costs of boating described above, coupled with the (significantly regulation-driven) increases in the costs of boat maintenance and operation, are causing a matching increase in the age of boaters. This is very worrying for the future of boating. The average boater is now in his 50s or 60s, and the cohort coming behind is very much smaller.

If the ongoing success of the waterways and the industry they support is to be ensured, government will have to find a way to reduce costs to boaters. Such aspects as the recently-announced increases in navigation charges (to make up for the recent, abrupt, and unjustified Defra funding cuts), the loss of red diesel, and the ever-rising “safety” standards are likely to have very serious effects. The over-regulation of development of moorings is causing a drastic shortage of supply, with commensurate significant and ongoing mooring rent increases.

Unfortunately, governments at all levels have generally shown almost no interest in the damaging effects such cost increases are causing.

Everyone naturally complains about paying more. But there comes a time when they are simply unwilling or unable to pay any longer. If too many boaters are forced to that decision, the loss of business to the waterways may make them unsustainable, either financially or politically. That would be a very sad loss, very similar to that of the goose with the golden eggs.

With respect to freight use, most UK waterways are simply too small to be economic now except in infrequent unusual conditions or for special traffics. The French are finding that even their Freycinet-gauge (350 T barges) waterways are now uneconomic and their new waterways are being built to 1,250 T gauge or bigger, so how can the British expect that their sub-100 T broad waterways (let alone their 25 T narrow ones) can pay?

Nonetheless, BW should be encouraged to continue seeking out those special freight situations that can be made to pay, such as carriage of materials to and from the London Olympics and the recycling traffic in west London. Such traffics can provide not only income, but also additional interest for visitors. They also
can do so without conflicting with leisure traffic and while providing significant environmental benefits. However, it would be unrealistic to expect freight to return to being a major traffic, or a major source of revenue, for the waterways.

5. **Relationships**

The management structure of the UK publicly-owned waterways is arbitrary and has arisen as a result of numerous unconnected incremental decisions over the years. It badly needs reform, but entrenched views have prevented this to date.

In particular, the existence of two national inland navigation authorities (BW and the Environment Agency (EA)) is clearly irrational. The duplication of administration is expensive and inefficient, while the variation in standards and the separate systems of navigation charges is annoying and inconvenient to users.

We would not have two railway authorities, or two highways agencies. We should not have two national navigation authorities.

BW is a purpose-designed national navigation authority. International experience suggests that its model of an arms-length commercial corporation, running on business principles but with public financial support, is the best available for this task. As a result, it is unreasonable to suggest that an all-new body to replace the existing navigation authorities be created.

On the other hand, EA is peculiarly ill-suited to be a navigation authority. The Agency is a large body with the principal purpose of regulation. It is not fit for an operational purpose. Navigation is a vanishingly small part of EA, and its interests are too easily trampled under those of the regulatory parts. EA is limited to annuality accounting (it has been forbidden the business accounting model of trading status), so it cannot develop the additional revenue streams available to BW for the support of navigation, nor hold or develop real estate. It naturally does not have the long-term management viewpoint essential for running waterways.

EA argues that flood control on rivers (another EA function) must be within the same administration for effectiveness. However, BW already successfully runs navigation on a number of rivers, including such major ones as the Severn and Trent, without impeding EA’s flood management. Under closer examination, EA’s protestations in this area are more like turf defence and scare tactics than rational argument.

The Government should move soon to transfer the EA’s navigations to BW. This would not only produce early savings through elimination of duplication; it would allow immediate termination of the expensive project for new IT to administer EA’s navigation charges. This latter would be especially beneficial, as it appears that, contrary to government direction, EA is intending to introduce a system of charges that is fundamentally incompatible with that of BW.

Such transfers should be accompanied by increases in BW’s real estate endowment sufficient to provide income to cover the additional expenses BW will take on with its new responsibilities. This would allow the current annual Government grant to EA for navigation to be terminated.

**Conclusion**

The UK government keeps failing to get a grip on the waterways.

It does now seem to have realised the great value of the network to all parts of the population, but has not translated that realisation into a recognition that all of the population needs to pay towards it in a secure and sustainable manner.

It has understood that there are shortcomings in the way waterways management is structured, but it has not been able to bring itself to make the changes needed to unify and reform this and to get inappropriate players out of the game.

It has made numerous statements about the attractiveness of navigation and thus its usefulness in encouraging activities from tourism to regeneration, but it still seems to feel that boaters are really just a well-off source of income.

The waterways have significant problems. However, their solutions are all in view. They would not be difficult to implement. Rather than costing public money, they would actually reduce cost.

All it really takes is the Government to—get a grip. Why is it so difficult for that to happen?

*Sir Adrian Stott BT*

*January 2007*
Supplementary memorandum submitted by Sir Adrian Stott BT (BW 06a)

SUMMARY

1. Proposals to continue and extend the role of income from real estate in the funding of British Waterways (BW), consistent with recommendations in my submission, have attracted a small but vociferous body of opposition.

2. Representatives of this body are scheduled to appear at the Sub-committee’s hearings at Gloucester. This is of concern, as:
   — Various damaging public allegations made by members of this body have been misleadingly presented, or are contrary to fact.
   — The status of some leading members of the body is questionable.

3. This supplementary document provides background to the Sub-committee with respect to these concerns.

INTRODUCTION

4. The increasing need for BW to secure sources of funding other than government grant has led to its growing focus on achieving additional income from its real estate, and on its establishment of market prices for its services (including particularly rents for its real estate).

5. This focus has produced a review of many of BW’s properties and arrangements concerning them, which has revealed many cases of under-use or inefficient use of properties and significantly sub-market charges for their occupancies. This in turn has led in a number of cases to actions by BW to dispose or redevelop properties, or increases in prices to their occupants.

6. This pattern of events appears entirely proper, as BW cannot justify holding assets producing inadequate returns, or subsidising (especially due to neglect or historical accident) preferred users or tenants. This would be the case in general, but is particularly so now BW is under severe financial pressure.

7. However, some outcomes of BW’s improvement of its management have been unwelcome to some parties, which are objecting (and, in some cases, campaigning) in response.

8. The objections generally fall under one of two headings. These embody claims that:
   — Heritage. BW is allowing, or participating in, property developments that are inconsistent with valued characteristics of the waterways.
   — Arrogance. BW is failing to consult in good faith with those affected by its changes and plans.

9. However, the objections tend to fail to recognise that BW is subject to the same regulations (e.g., Local Authority planning) for protecting heritage as other property owners and developers, and that it has a substantial mechanism for public consultation and for dealing with public complaints. This latter includes as a final step referral to a completely independent Waterways Ombudsman.

10. Moreover, on closer examination, it appears that many of these objections are being made by people who are basing their views on misleading, but well publicised, information. Further, rather than being motivated by policy concerns, those who have originally distributed that information seem often to be directly affected by the termination of their use of BW property as a result of its redevelopment, or by increases in BW’s prices for such use, or have other previous perceived grievances against BW.

11. Two leading parties in this latter respect are:
   — The Regents Network, led by Del Brenner.
   — The British Waterways Action Forum, led by Nicholas Macwhirter.

12. In addition, the campaign against one particular redevelopment, that of the Castle Mill boatyard at Oxford, a cause espoused by the latter party, has particularly involved John Keyes.

13. All three of these individuals are scheduled to appear before the Sub-committee at its Gloucester session. Some background concerning them, and their claims, may thus help Sub-committee members in their questioning of these witnesses.

1. THE REGENTS NETWORK

14. This organisation was apparently formed in about 2004, and is based in London (its name seems to be drawn from the Regent’s Canal). However, it has been difficult to find out much about it.

15. Its spokesman appears always to be Del Brenner, who has made a number of presentations and contributions to public bodies on its behalf.

16. However, Mr Brenner has proved reluctant to respond to queries about the Network. In particular, the following information does not appear to be available:
How does one join the Network?

How many members does it have?

When and where are its meetings held?

How are its policies and positions formed?

How are its officers chosen, and who are they currently?

What is its financial position?

17. The non-availability of this information has led to the suspicion that the Network is little more than a name under which Mr Brenner presents his personal views. There is apparently also little public knowledge concerning Mr Brenner’s own background with respect to the waterways or BW, so facts to confirm or refute this suspicion would be very welcome.

18. The Network has issued several documents with respect to the London waterways and BW’s management of them. An example is “Are The Waterways Of The Lower Lea Valley In Good Hands?” (Good Hands). This was issued in 2005, at the time BW was proposing the construction of a new lock (Prescott Lock) in the Lea delta in east London, to enable carriage by barge of building materials and spoil associated with the London Olympics and related developments. This proposal was aimed at very substantial environmental benefits, related to avoiding major increases in truck traffic on congested London streets.

19. Good Hands was widely distributed. It strongly opposes Prescott Lock. However, it is largely based on incorrect information and assumptions of both waterways engineering and BW’s property development plans. Yet, despite this being pointed out to Mr Brenner, including via review of its claims by a number of knowledgeable people (including professional waterway engineers) and public support of the Prescott Lock scheme by national waterways organisations, the document was neither corrected nor retracted by Mr Brenner or the Network. Further, requests by BW for discussions with Mr Brenner, including its offer of a meeting with BW’s chief executive, were refused by Mr Brenner.

20. Good Hands did considerable damage to the campaign for Prescott Lock, as funding for the scheme was difficult to secure and had to come from several sources. The funding bodies were naturally unfamiliar with the technicalities of waterways, and thus could be alarmed by allegations of functional flaws in the plans for the Lock.

21. Fortunately, the needed funding was eventually received, and the scheme is now moving into construction.

22. A copy of Good Hands, and of a detailed critique of it, are attached as appendices to this document.¹

2. BRITISH WATERWAYS ACTION FORUM

23. The Forum has appeared in the last few months. Its principal activity appears to be its web site (www.britishwaterways-squanderingourinheritance.com).

24. Its spokesman is Nicholas Macwhirter. As for the Network, further information concerning it is difficult to obtain. A request via its web site for basic data has not been responded to. Answers to questions as posed above concerning the Network would be welcome.

25. Mr Macwhirter is or was the Managing Director of Intermodal Solutions Ltd. This company was heavily involved in a proposal for using the Lee Navigation to carry rubbish generated in Hackney (east London) to an incinerator, which included the design and construction of new waterway vessels and road vehicles for this task. Although the scheme showed promise, in the end it did not go ahead. The principal reason for this appears to be that Hackney, a borough well-known for its financial problems, could not make the expenditure required as its contribution. However, Mr Macwhirter appears to feel that, despite BW’s ongoing support of the scheme, deliberate action by BW caused the scheme to fail. In fact, BW could not justify subsidising the scheme, so non-contribution by Hackney made the scheme unviable with respect to BW.

26. The Forum’s web site contains numerous allegations of inappropriate actions by BW, with respect to several schemes in addition to the Hackney waste one. However, many of these allegations are either false, incomplete, or obsolete.

27. One of BW’s initiatives which is covered on the web site is the redevelopment of the Castle Mill boat yard at Oxford. This has become a cause célébre, largely as a result of publicity about it distributed by some boaters who used to moor there, and their actions at the yard. One of these boaters is John Keyes.

28. At BW’s request, many of the site’s allegations are now moving through BW’s complaints process, so cannot be fully discussed here. However, a detailed criticism of the Castle Mill case, which is in the public domain, is attached to this document.

¹ Not printed.
CONCLUSION

29. BW currently has insufficient annual income to maintain the waterways sufficiently to prevent their decline. It is therefore vitally important for the waterways that it can make the best of its assets, and of the potential income available to it from them.

30. There can certainly be legitimate disagreements with the choices by BW of paths to follow in this respect. However, the dissemination of misleading or incorrect information which can damage BW itself, and through it the waterways, is a matter of concern.

31. In particular, opposition in this manner to the establishment of alternative and more secure sources of income for BW, such as a larger property portfolio in particular, could remove from BW its best hope for achieving the financial security it and the waterways need.

32. It is suggested that the Sub-committee closely examine any negative allegations about BW that are presented to it in this respect, and the background and motives of those presenting them.

APPENDICES ATTACHED

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Witnesses: Mr Steve Davis, Dr Paul Woollam and Sir Adrian Stott Bt, General Users/Boaters, gave evidence.

Q354 Chairman: Good afternoon, everyone. Welcome to our evidence session. It may seem somewhat unusual that a group of parliamentarians are actually coming out into the sticks, and it is not here just because I live next door, as some of you realise, this is something that Michael Jack, as Chairman, has pioneered with the Select Committee. We think it works very well because we like to get out and see things and talk to people who would not necessarily give evidence in our more formal proceedings in Westminster. You can all see who we are. I will ask every witness, because obviously you are sitting behind their backs, when they start giving evidence to say who they are and speak clearly and fairly slowly so we can get the evidence fully recorded. It is a delight to have people here and I hope you find it an instructive session. Just as a way of introduction, this is one of a number of sessions that we have held into British Waterways. It was triggered by the issue of the cuts in Defra grant-in-aid, but we are looking much wider than that, which is why we are taking evidence later on from the Waterways Trust to look at the museum and allied facilities. We really want to get a handle on where we are going, not only with BW itself but also with the waterway and canal network. That is something we are not ignoring even though, as I say, we were triggered by the immediate loss of funding. Our first session is with Steve Davis, Dr Paul Woollam and Sir Adrian Stott. I know Steve is going to start, which makes a lot of sense because Steve and Paul have produced, as they have done for me previously, and I know Roger has, evidence that I found very useful in the debate that we held on the cuts. I do not know if you are going to do a bit of a double act, Steve and Paul, and then we will go over to Adrian and we will ask you questions. If you could keep your remarks relatively short because we only have 40 minutes for the session. Thank you very much.

Mr Davis: Good afternoon. My name is Steve Davis. Firstly, I would like to thank you for the opportunity to present my evidence which was produced with my colleague, sitting on my left, Paul Woollam. I am going to cover the benefits arising from the waterways; Paul will cover the potential threats from cuts in government grant. We believe these cuts threaten the very future of the canals. Our evidence is presented from a boater’s viewpoint, but boats add movement and colour and enable others to see heritage structures in operation. I have been boating since 1990 and have seen great improvements and many more people visiting the canals than previously. The canal network is unique to this country and represents a great engineering and commercial heritage. In 1999 the Government published a document called A New Future for British Waterways which recognised the potential of the waterways and committed to help with their revival. That commitment has resulted in the investment of an additional £70 million since 1997. Today we can see evidence that this investment has paid off. The canals now provide the general public with recreational space, they have helped regenerate rundown areas and are also generating real economic benefit. There are now 300 million estimated visits per year to the waterways by people who enjoy free access to what is, in effect, a huge linear national park. The vast majority of these visits are not boat related. Academic studies put the notional benefit of such visits at around £140 million per year but there are also tangible benefits. A study by English Heritage showed canal related spend on the Kennet and...
Q355 Chairman: Thank you, Paul, do you want to add to that?

Avon Canal to be £29 million in 2002. Extrapolating from this suggests canal related spend across the whole system is in the order of £500 million, of which the Government probably gets a third back in taxes amounting to about £166 million. Deducting the original Defra grant of £63 million leaves the Government with a profit of over £100 million, which is not a bad return on a £63 million grant. Many people visit the canals because of their architectural and ecological heritage. British Waterways is charged with looking after a built heritage of around 2,700 listed structures, has responsibility for 65 Sites of Special Scientific Interest and spends around £110 million per year maintaining the canals. Part of this expenditure maintains these listed structures and SSSIs in compliance with Government guidelines and UK and EU legislation. British Waterways have a key role in ensuring that intergenerational equity is maintained, and this does not come cheaply. Around the inner city canals they have been transformed and Birmingham is an outstanding example with Brindley Place being a showcase for canal led regeneration. Closer to home you have already seen what is going on around Gloucester Docks. Another example of tangible benefit appears in a paper issued by the Scottish Parliament covering the regeneration of the Stroudwater Canal. That paper showed that 1,700 jobs have been created. British Waterways are involved in development schemes driving £6 billion worth of waterside regeneration with the potential for 6,000 new homes. The power of the canals to attract inward investment into rundown areas is well-recognised. In 2005 British Waterways received £9.5 million from local authorities, Regional Development Agencies, Lottery funds, canal trusts and the EU for canal improvement designed to create jobs and housing in local communities. Boating and canal boaters also bring direct economic benefit to the UK. There are around 29,000 boats licensed by British Waterways and these support a boat building and repair business providing around 2,000 jobs. Boat licences and mooring fees generate around £30 million a year for BW either directly or indirectly. Hire boats generate a turnover of around £45 million a year, plus there are benefits to pubs, restaurants and the insurance business. Taken together we estimate boats generate around £165 million a year supporting 4,000 jobs. I submit that the inland waterways under British Waterways' management are delivering tangible benefits in reviving deprived areas, keeping our national heritage up to scratch and creating and sustaining employment. To conclude, I would just like to quote an extract from the conclusions of the 1999 Defra paper, *A New Future for British Waterways*, which says: “British Waterways is the custodian of a unique part of our heritage. For too long it has been denied the investment needed to develop these assets properly”. I submit that we are in danger of repeating that history. Thank you.

Dr Woollam: Thank you, Chairman. My colleague, Mr Davis, has given you our views on the benefits that the waterways bring. I will cover our views on the potential threats from reductions in Government funding. I have 44 years experience of boating on the canal network. 34 of these as a boat owner. Recently I have worked with British Waterways to find ways of keeping the local navigations open in winter following funding cuts. In my experience, most boaters think that BW is making significant progress towards improving the network. Historically, BW has been reliant on government grants. I firmly believe that, in the national interest, this should continue to be the case. However, a consistent funding mechanism is now in doubt and this leads to significant threats. First, there are threats to heritage and intergenerational equity. The cut in Defra grant clearly puts heritage restoration projects, such as the Stroudwater Canal, central to local regeneration, at risk. 95 per cent of the 300 million people who visit the canals each year see them as an important part of our nation’s heritage. I submit that Government has a duty to fund our canal-based industrial heritage and that Defra’s grant should accommodate BW’s unique position, as does the DCMS grant to English Heritage. Unless the grant cuts are reversed, the canal system in England and Wales is in danger of reverting to its pre-1980s state, with a significant proportion again becoming un-navigable. Second, there are threats to health and safety through maintenance reduction. Despite government grants, there remains a statutory maintenance backlog estimated at £119 million. Above all else, BW must maintain 2,000 miles of waterways so they are safe and accessible to 20,000 boats and 300 million visits per year. Since the Defra cut, BW has been forced to reduce maintenance on structures that, in many cases, are 200 years old and performing duties that their builders could never have conceived. This suggests the potential for loss of life or serious injury, whilst damage from canal breaches and structural failures will still have to be funded by Government. This makes no economic sense. Third, there are threats to regeneration. Reductions in BW’s grant inevitably threaten regeneration projects through loss of investor confidence. A visit to any large-scale regeneration project, particularly if it includes housing, like Gloucester Docks, shows that sales are predicated on a vibrant waterway location filled with boats. However, reductions in BW’s ability to maintain and improve the network will ultimately lead to boat owner disillusionment, less boating, less economic activity and less regeneration in rundown, problem cities. So where would BW get funds if its grant were cut even further? BW has told boaters to prepare for significant price rises to compensate for cuts in Defra’s grant. As the Committee will know, boaters currently contribute about £30 million per year, directly or indirectly, to BW’s income. If we have to fund predicted cuts in government grant, our contributions would rise by over 50 per cent. BW funds the recreation of large numbers of people...
who make no direct contribution for the upkeep of the facilities that they enjoy. As boaters, we want everyone to benefit from the canals. But not all canal boat owners are wealthy and can afford huge price rises. Government’s surveys show that 34 per cent of boat owners have a net annual income of less than £14,000. It is inconceivable that our current £30 million contribution to BW’s income could be increased sufficiently to match predicted cuts in government grants. Finally, gentlemen, I would like to draw your attention to comparisons with Government funding of other heritage protection. First, the Scottish Executive has accepted BW’s case for increased funding and has come up with an annual grant increase. In contrast, in England and Wales Defra has told BW to expect a £60 million reduction in grant over the next three years. Secondly, DCMS funds visitors to English Heritage sites at £12.60 per visitor, 60 times higher than the Defra equivalent of just 20 pence per visitor to British Waterways’ heritage sites. I urge the Committee to recommend consistent, adequate funding for British Waterways so that our unique canal-based industrial heritage can be preserved for the benefit of future generations. Thank you.

Q356 Chairman: Thank you, Sir Adrian?
Sir Adrian Stott: Thank you, Chairman. Five minutes on the future of the waterways starting now is worryingly like the rules of Mastermind, but I will do my best. My name is Adrian Stott. I have been active in boating and waterways organisations since I was a teenager. I own, travel and live in a barge. I have also been a district planning director, had a marketing business and been a management consultant specialising in real estate and the design of organisations. I believe all this gives me a good perspective on the management of the waterways. The Government has recognised the waterways as a significant national asset, however this has not resulted in remedies for their longstanding and increasingly damaging management problems. I dealt with several in my written submission but I will focus on only one for now: finance. Waterways can no longer support themselves through charges on their users, that is why the original canal companies went broke. The Government’s insistence on increasing the share boaters must pay is simply driving away the less well-off and making boating an elitist pastime. Government financial support is both essential for the survival of the waterways and justified by the national benefits they provide and to recognise that over 90 per cent of waterways’ users are not boaters. Waterways require a certain amount of maintenance each year. This cannot be avoided by not doing it as it simply accumulates. However, degradation accelerates, so catching up costs more. At the extreme, the collapse of an under-maintained embankment can cause not only huge reinstatement costs but also the risk of significant damage to other property and even loss of life. An ounce of prevention here indeed avoids a pound of cure, but the Government is withholding that ounce. To do its job at lowest cost, British Waterways requires a revenue stream that is secure, sufficient and consistent every year. So now the waterways are to be retained, the question is not whether or how much financial support is required but how best to provide it. BW currently depends significantly on government grant but, as the recent cuts show, this is insecure and variable, so it is a fundamentally unsuitable way to finance waterways. BW has developed other sources of income from running boatyards to putting cables under towpaths but it is unlikely that this can ever close the funding gap; waterways simply cannot be viable businesses any more. However, BW does have a funding source which can do the job, its real estate portfolio. Real estate is ideal for financing waterways, it is a long-term asset to match the long-term liabilities that waterways are. The income from it is secure. The property market does rise and fall, of course, but properly structured investment can even out the revenue fluctuations. However, the current portfolio is too small to produce the needed revenue. BW is competent in real estate as a landlord and a development partner. It merits trusting with more property. So the funding solution is provision by Government of a one-time endowment to British Waterways of sufficient additional investment capital to allow complete replacement of the unsatisfactory government grant with real estate revenue. Broad experience elsewhere around the world shows that this approach works. It deserves serious consideration by Government. Of course, improved management of its portfolio is producing a backlash on BW, especially from some boaters when valuable property that they have been using at low rents is redeveloped or moved to market prices. They are seeking to stop this process by discrediting British Waterways and, unfortunately, not all their tactics are respectable. It would be simply improper for British Waterways not to get the best possible return from its assets or to subsidise selected boaters. All claims for such treatment must be explained and refuted to any misled media and authorities. The model BW is built on, a commercial corporation operating at arm’s-length from its Government shareholder, is arguably the best available for the waterways. Their return to a Civil Service approach with subjective distribution of benefits, waiting lists, arbitrary cost-cutting and so forth, would be a disaster. Funding under the Government’s present approach is inadequate and not cost-effective. The public, the waterways and the Government will all be better off if this is remedied. The cure is clear, known, simple and affordable, it is also long overdue. Thank you.

Q357 Chairman: Thank you, gentlemen. One thing I should have done, which was remiss of me, was to warn everyone to turn their mobile phones off, which I know you have all done anyway but it is just to reiterate that. If I could start and then the Committee will join in. Could I just ask you very quickly what your view is of the BW clearly stated objective, reaffirmed in the oral evidence that they
gave to us, that they are moving towards a position of self-funding at some time in the future. Do you think that is ever a realistic proposition?

**Mr Davis:** If I could start. My own opinion is no, it is not. I have never believed that to be the case. When I thought about this a bit more deeply, I did make reference in here to the waterways being just a huge national park. One of the problems is that if you try to leverage the waterways to that extent there will be a great danger that you actually destroy what you are setting out to preserve, and it is for that reason I have come to the conclusion that it just will not work.

**Sir Adrian Stott:** The waterways cannot be financially self-sufficient for the reasons I have explained but they really do need to be financially independent. I am suggesting an income stream from the real estate which will be sufficient to cover the gap and the remaining revenue can and should be provided by the waterways themselves, but they cannot possibly cover the whole thing.

**Dr Woollam:** My view, I think, is rather different from Adrian’s. British Waterways should still get a grant from the Government but what they need to do is set out a long-term plan, a 25 year plan, shall we say, for what needs to be done in terms of maintenance and restoration. The Government should then ring-fence funds to pay for that because what they are doing then is paying for national heritage maintenance and in return my view is that BW should set out to be more competitive and should ensure that the way in which they operate is incentivised to allow the maximum taxpayer return for the money which they are being given.

Q358 Mr Jack: In terms of commercial risk-taking, in other words property developers if they are going to maximise assets under their management sometimes have to take risks which with effectively a publicly-owned body they might hang back a little bit. I am trying to get a feel as to whether the model as you advocate in your evidence is capable of being, in the entrepreneurial sense, as adventurous as a good property company should be taking into account the weight that both sets of witnesses put on the property asset side delivering an enhanced revenue stream to move away from the grant-based financing model which you both question as to whether that is the right way forward. I say that in the context of sustaining the funding.

**Sir Adrian Stott:** The revenue stream is composed both of rents and capital gains. Certainly for the capital gains you need to be quite entrepreneurial. One way that British Waterways is approaching this, which I agree with, is to go into partnership with other commercial property companies, quite large ones, where British Waterways brings to the table its unique properties related to the waterways, which these commercial outlets could not gain access to otherwise, and they bring the specific expertise in financing and so forth, which at the moment British Waterways is prevented from doing, it is not allowed to borrow freely, for example. I think these partnerships have been working out rather well.

Q360 Mr Jack: Can I just stop you there when you say it cannot borrow. I come back to the words that you use: “As a commercially-modelled arm’s-length publicly-owned corporation”. Once you are into that area borrowing money becomes very difficult. Do you think the governance, the status, the stature of the organisation needs changing to enable it to borrow because once you get into borrowing you get into more risk?

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1 Please see Dr Woollam’s supplementary memorandum further explaining his concept of an alternative model for British Waterways (Ev 135)
2 Ev 122
**Sir Adrian Stott:** Let me answer the point about risk first. British Waterways is now enormously exposed to risk, political risk. As we have seen this year it had received what it thought was a secure income from its grant, it had committed that income under contract in several cases, having prioritised essential work and so forth, only to find that money was whisked away from it. That is an enormous risk and one which is not being dealt with at all. At the moment British Waterways is not allowed to borrow. It has had opportunities to undertake projects in other property which it has not been able to follow up because of that, and I know that it has asked the Government for the ability to borrow more and to be able to invest in a wider range of properties. You ask is it necessary to have a review of British Waterways’ powers? Definitely, yes. They were set some time ago and have not really been looked at comprehensively since. Nonetheless, I think they have proved themselves to be surprisingly effective in producing revenue from property and the comparison is with the Environment Agency’s navigation section, which does not have this ability and is very much behind British Waterways in achieving what it has for its own waters.

**Q361 Mr Jack:** Do Mr Davis and Dr Woollam want to comment on that?

**Mr Davis:** I do not feel qualified to talk about the property side because it is above my pay grade, but what I would say is I feel very uncomfortable about the concept of British Waterways trying to run the two in parallel. I think if I was running that sort of an organisation, frankly my eyes would be on the property prize at the expense of the boaters who could be regarded as 29,000 whingers. I would be very, very uncomfortable about going down that track. There is a very clear distinction here between running the national park that I alluded to and maintaining the heritage and, as you have rightly said, swamping the assets. Where that boundary lies I really do not know. What I do see clear evidence of, and we have seen it on this canal, is that British Waterways are more focused on the property and the navigation tends to get secondary attention, and I think that is fundamentally wrong.

**Dr Woollam:** My views exactly accord with Steve’s. I think that BW is in the business of managing the track, it is not in the business of property management. If it can do property management to make some money to run the track, that is fine, but that should be a secondary issue.

**Sir Adrian Stott:** Could I give a supplementary answer to that. I would point out that the use of an endowment as I suggested is very widespread. Perhaps the foremost example globally is Harvard University, which has one of the largest endowments in the world. Few people would say that Harvard subordinates academic excellence to be a property manager. Oxford University—closer to home—also has very substantial property assets, the income from which goes towards supporting the university. This model works.

**Q362 Sir Peter Soulsby:** As a former Vice-Chairman of British Waterways, which I mention again for the record, I would like to put a question which I think a Defra minister might put to you were such a person to be with us today. I think they would argue, as they have argued in the past, that the reductions in BW’s government grant are in fact comparatively small, that they are a tiny fraction of BW’s overall budget and that the danger of reverting to the situation as it was some decades ago is very much overstated. Are they wrong? If so, why?

**Dr Woollam:** If I may respond to that. I think that is right. If you take £5 million, or whatever, out of a specific year then clearly that is a small amount but if that rolls up year after year after year then the eventual impact becomes quite large. I am sure it is right that if maintenance for one particular year is not done as effectively as it might be the whole system is clearly not going to fall into disrepair but over a long period of time it will, and I think that is inevitable. If you look, for example, at Netherton Tunnel, which has got all sorts of problems with its towpath, BW cannot repair that because it does not have the money. It is a small step from that. I would submit, to finding that Netherton Tunnel is closed to boats and then the whole thing gets worse and worse and before you know where you are you are into a £100 million repair job rather than a few million pounds repair job.

**Mr Davis:** If I could just expand on that. I strongly agree with what Adrian said, that the problem is these grants can be taken away at any point in time. If I was a budget holder and suddenly discovered £5 million was coming out of my budget within that financial year I would be seriously upset. It is the uncertainty that is one issue. The second issue is if I was a finance director sitting in BW I would look at this regeneration work on Stroudwater and other canals with absolute horror because I am putting all sorts of money into bringing these canals up to scratch and it is absolutely clear from what we see at the moment that the canal network mile for mile does not pay for itself in terms of boats. There are a huge number of indirect benefits, as I have said, but I do not think the direct benefits are there and that is really where the issue lies. Clearly there is regeneration going on which is funding the Government’s coffers and I would just take a far higher view and say is it worth spending £63 million to get £100 million back.

**Sir Adrian Stott:** To answer Sir Peter’s question, Defra is wrong and the reason is it follows the typical approach. It looks at what you got last year and decides what you ought to get this year, and preferably it ought to be less. The problem is that what it got last year was not the right number to start with. British Waterways has been doing an extensive investigation into what it is calling “steady state maintenance”, that is the amount that is required to keep the waterways in their current condition, and they concluded that they are at least £25 million a year short on that already. That means that the waterway network is actually
declining every year, so further cuts are only going to make it decline faster. With the steady state calculation that has been done there is a strong argument to review how much British Waterways ought to be getting every year rather than what it can be given based on last year’s numbers. To come back to what Sir Peter asked, Defra’s whole approach in deciding what British Waterways ought to have is misguided, it cannot produce the right answer.

Q363 David Lepper: Mr Davis, Dr Woollam, in your evidence you make an unfavourable comparison between the amount of money per visitor that those visiting canals get from Defra and English Heritage visitors get from DCMS. Could I ask all three of you, do you believe that Defra is the right parent department for British Waterways? Should it be somewhere else or does it not matter which department it is with, there are other fundamental issues that would still need to be tackled?

Mr Davis: I do not think it makes any difference, frankly, which department it belongs to because it does not matter where it sits within the organisation. I think DCMS would be just as well because of the heritage thing and you could argue because of the rural part it should be Defra. The key issue for me is that the value of the waterways is properly recognised and properly funded.

Dr Woollam: I totally agree with that. I see no difference at all between it being funded by Defra or DCMS. However, I would point out, for example, that the Waterways Museum next door is in danger of being closed for lack of finance and maybe that should be funded from DCMS in the same way that DCMS funds other museums, but that is not the same as saying that DCMS should fund the whole waterways system. I do not think it would make any difference.

Sir Adrian Stott: I must disagree. I think it is fundamentally the wrong place to be in Defra which I, and I think many other people, see as fundamentally really MAFF under a new label. DCMS might well be a better place to go. It used to be in Transport but because it is no longer providing transport facilities, except in specialist areas where freight can run, I would not recommend going back to there. To be in an organisation that is more associated with heritage and providing regeneration type benefits would do British Waterways a lot of good. There is another aspect of this too. British Waterways is designed to be an arm’s-length corporation with a good deal of independent internal management. Defra is an organisation which is uncomfortable with that as far as I can make out. It still wants to micromanage within British Waterways, and I think that is an attitude that is unlikely to change in the short-term certainly, whereas with DCMS being a newer and perhaps more flexible organisation it does not have a similar problem such as that in my view.

Q364 Mr Williams: Mr Davis, you compared waterways or the canal system with a linear national park and that is something that struck a chord with me. Like national parks they are nationally important and locally significant but, of course, national parks are funded entirely differently from British Waterways. They are funded partly by central Government and partly by local government. The thought did strike me that that might be a way to fund British Waterways because the regeneration part of it seems to me to be fundamentally local whereas the waterways system is a national asset. Have you thought through your analogy or is it just a one-off?

Mr Davis: I had not actually picked up on that point. The reason that I came to that conclusion when I started to think about it was no way are the national parks ever going to make a profit and it was the point I made earlier on, that if you try to really sweat the assets of the national parks to get every last penny out of them you will come back and destroy the very thing you are trying to preserve. The reason that I came up with that analogy was just the humungous number of people who visit the canals and the fact that it seems to me the key to them is to keep them in as natural a state as possible. That was why I came up with that analogy. Referring back to your point, clearly there is huge benefit to Gloucester itself and, in fact, I assume the regeneration company is putting some money into the regeneration here. Whether it goes back into the canals I very much doubt but, yes, I can see some very good benefit in that because the benefit does come here.

Q365 Chairman: If I could just conclude by asking two disconnected but quite interesting questions. Firstly, Steve and Paul, in your evidence you mention the Manchester, Bolton and Bury Canal regenerations were under threat and you link that with Stroudwater. Clearly that would be like Stroudwater, a local partnership which has now got national support from BW. What is your view on BW as a partnership organisation? Do I take that to be an answer?

Mr Davis: I have really got no view on this, to be honest, I am not close enough to it. I do worry when I look at a number of these partnerships. The one that always frightens me to death is the Montgomery, which I have seen a little bit more of. I just wonder whether any of these partnership organisations are actually ever going to succeed because there are so many interests pulling in so many different directions. I have often thought the worst job I could have is probably being a project manager on the

3 Dr Woollam subsequently submitted an additional memorandum [Ev 135] expaining that he had further considered this matter and now considers that DCMS would be a more appropriate sponsoring Department for British Waterways, primarily because it has greater expertise in heritage management and maintenance than does Defra.

4 Note by witness: My answer comes across as confused. What I was trying to say is that as local authorities (in this case, Gloucester) get tangible benefits from regeneration, there is a case to be made for them funding the canals to some degree. I have however, reconsidered this and have attached a separate note to that effect (Ev 136)
Montgomery Canal because the last time I looked I think there were 12 partner organisations. I will just confine myself to that.

Dr Woollam: My view is that a criticism I would have of British Waterways is their communications are not good. They are a long way behind the curve in stakeholder engagement. They are much better than they were 40 years ago but still nowhere near as good as they should be. Would I want to partner with British Waterways if I was running Stroudwater Canal? Frankly, no. On the other hand, at the end of the day BW is going to have to run that canal so has a right to be there as part of the regeneration. If BW were to get their act together with communication and stakeholder engagement I think we would all be a lot better off.

Sir Adrian Stott: For a while I was on the management committee of the Foxton Inclined Plane Trust and there is a partnership going on there with respect to the eventual restoration of the Plane. It has been working extremely well and work is now just being finished on a major phase of it. British Waterways has to be involved, as has been said, because it is going to be involved in the long-term running of the thing. It has expertise that the local authorities never have, they simply do not focus on waterways and they cannot answer the questions. It seems to me that it does work. Yes, you have a lot of partner bodies and they do reflect a lot of different interests but each of those interests is important and deserves to be involved. I know the project manager at Foxton and he seems quite happy with the job.

Q366 Mr Jack: Mr Davis and Dr Woollam, in your evidence you refer us to Scotland: “The Scottish Executive takes a radically different view of waterways funding” and you confirm that in paragraph 4.27 of your evidence. Why?

Mr Davis: I took that from the last full years of accounts of British Waterways where buried somewhere in the back in the Scottish bit, page 93 or something, it makes the point that last year the Scottish Executive upped the amount of grant. As I recall there was something in there that guaranteed they would continue that level of funding and that was the reason we made that comment.6

Q367 Chairman: Just a final one from me. The evidence we have taken in terms of freight has been very negative. I just wonder is everyone being a bit precious and in reality there is some money to be made from another part of the domain, although obviously leisure and tourism would dominate. As representatives of the boating community in the widest sense, is this something that we are in danger of being fobbed off with and we should be looking at more accurately because nobody has really wanted to see this as a way forward?

Sir Adrian Stott: The key statistic to look at in freight is 40000 tonnes kilometres per man hour and that means that the smaller the waterway the less likely it can be economic. As I said in my written submission, the French now are finding that their 350 tonne network is too small to run commercially, how then can Britain with its 100 tonne larger waterways and 25 tonne smaller ones ever expect to make money? There are some special circumstances where freight makes a lot of sense, and the best one lately is clearly the Olympics and the new works going on on the Waterworks River and there is gravel running from West London and other selected special traffics, particularly waste traffic is now looking to be potentially useful, but I cannot see it ever being a big money maker. British Waterways should be encouraged to do it because it validates the waterways and keeps the maintenance honest and lots of other things and it is fascinating to watch, but it will only be here and there, the main network never again will be a freight carrier to be dealt with significantly.

Q368 Chairman: I take the assertion from the other two gentlemen that you largely agree with that?

Mr Davis: I absolutely agree with that. There are certainly niche areas, and this river and canal is one of them. I have been very disappointed that we have not had freight running down through the docks from Ripple and Rhydd. Up on the Trent I am always dodging the gravel barges up there fully loaded. I absolutely agree with Sir Adrian, there is no way I could see that happening on, say, the Staffs & Worcester, it just would not happen. On the big rivers, yes, I think it could, there is a great deal more scope and it should be encouraged, frankly, and I would love to see it.

Dr Woollam: I think that is exactly right. There is no way we are ever going to get commercial freight on the narrow waterways but we could do it, for example, on this canal and the river, but it needs investment to BW to do it, to keep the approaches to the locks dredged and, for example, to keep the Partings dredged on the section here above Gloucester Lock.

Chairman: Gentlemen, you have been very generous and we thank you not just for the oral evidence but also the written evidence. What has been said cannot be unsaid, it is on the record and will appear shortly on the Select Committee pages in the Hansard part of the parliamentary website. There may, however, have been other things that you wish you had said, although given you have given us a lot of written evidence I suspect not, but if there is anything that you have as a burning last thought after you have left the stage you might consider sending that to us. I thank you for your evidence, it has got us off to a very good start. If you would not mind exiting quickly stage left we can get the next three witnesses in. Thank you.

5 Note by witness: It is actually on page 49 of the BW Accounts for 2005/06.
6 In retrospect I wonder if I correctly understood Mr Jack’s question. If he was asking “Why do we think Scotland takes a different approach”, my answer would be that they increased their year on year grant to the Scottish canals whilst Defra reduced its grant to the English and Welsh canals. One can only assume that Scotland is better funded with government money than England and that the Scottish Parliament places a higher value on their canals than do Defra.
Supplementary memorandum submitted by Dr Paul Woollam (BW 16a)

1. **Q363: Is DEFRA the right parent body for British Waterways?**

   1.1 In my response to Q363, from Mr David Lepper, on whether DEFRA is the right parent Department for British Waterways, I said that I saw no difference between BW being funded by DEFRA or by DCMS. After careful reflection, I am now persuaded that BW would be better funded by DCMS. My principal reasons for this are:
   
   — As I made clear in my evidence, I believe that heritage and intergenerational equity are the fundamental matters that should drive BW. BW’s remit should be to maintain and restore the heritage (“the track”) as a working waterway network, not to operate as a real estate management company. DCMS is responsible for heritage management in a wide range of areas and therefore has far more expertise in this matter than DEFRA. It is also in a position to assess the UK’s total heritage funding requirements and to make informed decisions on needs, priorities and the relative magnitude of funding.
   
   — The most likely significant increase in inland waterways freight over the next decade is associated with the Olympic Park, which is in the remit of DCMS.

2. **Q357: Is BW’s objective of moving to a position of self-funding a realistic proposition?**

   2.1 I responded to Q357, from the Chairman, on whether BW’s objective of moving to a position of self-funding is a realistic proposition, by saying that BW should not aspire to self-funding—the Government grant should remain. This response is consistent with my evidence.

   2.2 However, as I started to explain in response to Q357, I believe that BW could be better organised and operate more efficiently. I would like to develop this explanation.

   2.3 BW should develop a robust, costed long-term (for at least 25 years) strategic plan for maintenance and restoration of the canal network, based on its own comprehensive understanding of present and future needs and taking advice from a wide range of stakeholders including restoration and boaters’ and other canal users’ groups. BW’s sponsoring Department would endorse this plan, which would include income generation.

   2.4 The plan would be used as a primary input to negotiations with Government to secure long-term, ring-fenced, funding commitments to maintain and restore the canal network and its heritage on behalf of the nation. Such Government commitments should be consistent with funding for other UK heritage maintenance and so would best come via DCMS (see response to Q363 above).

   2.5 In return for a long-term commitment to Government funding, BW would inject competition into the management and operation, including maintenance and restoration, of the canals to achieve maximum taxpayer benefit for running of the heritage that the waterways represent.

   2.6 To achieve this, BW would split itself into a small number of specialised units—maintenance of the existing navigable network, restoration (including stakeholder engagement), craft licensing, property and so on—and would let competitive contracts for the management of each of these units, either for a fixed term—perhaps 5 years—or (in the case of a restoration project) for completion. Most existing BW staff would remain employees of these specialised units, which would be transferable entities.

   2.7 Successful bidders would take ownership of a particular BW unit for the period of the contract. Their contracts would include an incentivised fee structure that encouraged—as appropriate to the unit of which they had taken ownership—accelerated backlog maintenance, accelerated restoration of the canal network, reductions in licence evasion, efficient operation of BW’s commercial assets etc, to ensure delivery of the Government agreed 25-year plan with maximum value generated for the taxpayer.

   2.8 No Company would own more than one BW unit and contracts would reflect a requirement to act cooperatively in the best interests of the national network.

   2.9 BW would retain a small central organisation mandated to maintain and update the 25-year rolling plan, and to let and to run the contracts for management of each unit. This organisation would act as the conduit for Government finances. It would manage the contracts via a series of challenging and stretching key performance indicators (KPIs) and, specifically, would not micromanage. Its primary function would be strategic, to maintain and develop the canal system on behalf of the nation.

   2.10 The property management contract would be incentivised to ensure that the remaining property portfolio generated a long-term income stream (through leases and rents) rather than being sold in pursuit of short-term gain. This approach would be clearly laid out in BW’s strategy, endorsed by Government. Government grant in aid would take appropriate account of this income stream. BW would work in partnership with development companies regenerating run-down urban areas, but would retain, through its property management contractor, both long-term interest (to protect heritage) and income.
2.11 If the property management, or any other, contractor did not perform adequately, by failing to meet KPIs, their contract would not be renewed.

Dr Paul Woollam
April 2007

Supplementary memorandum submitted by Steve Davis (BW 16b)

The evidence below has been submitted by Steve Davis following an appearance at the Select Committee meeting in Gloucester.

1 LOCAL AUTHORITY FUNDING

1.1 During the meeting on 16 April I was asked if I thought a funding partnership between local authorities and Government would be useful. I said I thought it could be of benefit.

1.2 Since that meeting I was reminded of the Basingstoke Canal which is funded by a partnership of several local authorities and County Councils. The Basingstoke Canal is in a poor state of repair and consistently suffers from water shortages. The net effect is that it is barely navigable and often closed for large parts of the year.

1.3 Although the councils had pledged money for maintenance, they ran into financial difficulties and failed to provide the promised money. As a result, last year it seemed highly likely that the Basingstoke Canal would permanently close for navigation.

1.4 Since then additional funds have been found but the canal remains in great danger of closure. On this basis, I now consider that local authority funding suffers the same disadvantage as the current grant based funding from Government. In both cases the supply of funds cannot be relied on and are likely to suffer from political expediency.

The following two sections relate to discussions at the session in Gloucester regarding British Waterways attitudes to navigation versus its property portfolio and also to its commercial competence.

2 BRITISH WATERWAYS PRIORITISATION BETWEEN NAVIGATIONAL ISSUES AND PROPERTY MANAGEMENT ASPIRATIONS

2.1 Over the past three years on the Gloucester & Sharpness Canal I have seen some evidence that Ian Jarvis, British Waterways South West Regional Manager, seems more focussed on developing his property portfolio than in maintaining the navigation.

2.2 During the fourth quarter of 2006 Ian became a Director on the joint venture company set up between British Waterways and Peel Holdings to develop Gloucester Docks. This despite Ian already having a full time job managing three geographically dispersed waterways (the Severn Navigation, The Bridgewater Canal and the Kennet and Avon Canal). Both the K&A and Severn present significant challenges in terms of maintenance.

2.3 Paul Coupe (probably the best waterways engineer in BW SW Region) has been permanently assigned to the Gloucester Docks regeneration project despite this project seemingly having little impact on the navigation.

2.4 In May 2006, BW SW Region sold the bucket dredger, “Thomas Fletcher” for less than £20,000. The dredger was built in 1981 and was in good working order. The replacement cost is well in excess of £500,000. The G&S Canal has not been dredged for over 20 years and at some point this will become necessary. The only way to dredge the canal effectively is by bucket dredger. It seems strange that a navigation authority would sell such a vital asset for “track” maintenance at a bargain price.

2.5 Signage on the River Severn has been a cause for complaint by local boating groups for several years. Danger signs for weirs are often obscured by vegetation in summer and some are badly faded. The entrance to Gloucester Locks requires craft to change station and pass “starboard to starboard”. Such a procedure is normally signed with an internationally recognised symbol. Despite these safety related complaints, the approach to Gloucester Lock remains unsigned and a tardy programme of replacing one weir sign per year has only just commenced.

2.6 The instances above lead me to believe navigation issues are lower in priority than property development.
3 British Waterways Commercial Competence

3.1 The sale of the Thomas Fletcher mentioned above does not seem to be commercially sound. British Waterways would probably claim they could buy in external services. However in the session on 16 April the Select Committee were told that British Waterways had said they would no longer dredge the Parting in Gloucester to 10 feet on cost grounds. Dredging the Parting is done by sub-contractors and costs upwards of £200,000 per year.

3.2 I was a member of a boater’s working party who met BW SW Region in November last year to find ways of reducing the impact to boaters of cost cutting on the G&S Canal. During that meeting we suggested that BW should look at additional ways of increasing revenue rather than concentrate on cutting costs and reducing services.

3.3 British Waterways said they had 200 boats waiting for a mooring on the G&S. One obvious suggestion was to increase the number of moorings on the G&S Canal. British Waterways’ response was that putting in more linear moorings was against national policy.

3.4 The working party thought there were opportunities for just over 100 additional moorings giving an annual revenue of at least £100,000. The boating view was that the G&S was untypical due to its depth and width and, unlike narrow canals, passing boats caused virtually no disturbance to moored boats. The working party thought most boaters would be in favour of such a move if it helped maintain existing service levels.

3.5 Despite this, British Waterways remained very resistant to the idea and in April this year announced they were closing the moorings waiting list.

3.6 In the meantime local boating groups have continued working with British Waterways and have done a survey of local boaters. This shows 70% of local boaters are in favour of additional moorings.

3.7 I am surprised that given its poor financial position, British Waterways is prepared to quote national policy rather than put some energy into an obvious and low risk revenue earning opportunity.

Steve Davis
May 2007

Further supplementary memorandum submitted by Sir Adrian Stott BT (BW 06b)

Points arising from Gloucester Evidence Session

As suggested by the Chairman during the hearings at Gloucester, I would like to make the following brief points in response to the discussions, and appreciate the opportunity to do so.

1. Ownership of Property by British Waterways

The Sub-Committee appears to be under the impression that British Waterways (BW) is the owner of a significant proportion of the riparian property along the waterways it manages. In fact, I am informed that BW owns no more than 3% (three per cent) of the property fronting its navigations.

In this context, allegations that redevelopment by BW of its property is significantly altering the character of the waterways cannot be sustained. It owns so little of the frontage that it is impossible for it to have this effect.

2. Proposed Ownership of Property by British Waterways

I have proposed a substantial increase in the size of BW’s property portfolio as the most appropriate way of addressing the shortfall in BW’s revenue. I believe the Sub-Committee may have assumed that the additional property would be riparian, and thus its redevelopment would increase the impact on the waterways of BW’s property activities.

However, there is no reason that the additional property should be riparian. The purpose of the portfolio is solely to provide an income base to BW, and as such the property it contains could be located anywhere. If, as I believe to be suitable, property could be transferred to BW from the government’s very substantial holdings, it is most unlikely that any of the additional property would be on the waterways. Thus the proposed increase in the size of BW’s portfolio would produce no additional physical impact on the waterways or their character.

One question raised at the hearings was what changes might be required in BW’s powers. A removal of the current restriction on its property holdings to riparian real estate is one such desirable change.
3. GAIN FROM PROPERTY DEVELOPMENT BY BRITISH WATERWAYS

There was discussion at the hearings of to which party or parties any gains from development of BW’s property should accrue.

BW, when developing any of its property, must seek exactly the same approvals as required of any other property owner. As such, it is subject to the existing powers of (e.g.) local authorities to extract from the developer various forms of consideration for the benefit of (e.g.) the community.

As a result, there is no reason for any additional requirements for the distribution of any gains BW may achieve. In fact, such requirements would be damaging, as they would reduce its ability to finance the waterways through its real estate portfolio.

4. ROLES OF BRITISH WATERWAYS

There was some confusion during the discussions about the roles of BW with respect to property, planning, and development. To clarify these:

— **Operational.** BW is charged primarily with operating the waterways. In this respect, it needs to hold certain property (canal beds, the sites of locks and weirs, etc.). Before it can redevelop or sell any of its property, it must consider its operational requirements, and does so.

However, BW inherited (through nationalisation of canal companies, etc.) very much more property than it needs for operational purposes. For example, it does not need warehouses and depots (as it is not in the freight business), yards (as it has contracted out much of the waterways maintenance), lock cottages (as it now employs hardly any lock keepers), etc. It is these types of property that it has been disposing of and redeveloping. This activity does not prejudice the operation of the waterways.

— **Consultative.** At its request, BW several years ago was added to the list of statutory consultees with respect the development of property along the waterways. When such a development is proposed, BW is automatically notified of it, reviews it, and, if it would have a negative effect on the waterways in BW’s opinion, comments on it to the approving authority.

— **Development.** When BW wishes to develop one of its own properties, it must follow the normal approval processes. It makes the conventional applications, and must comply with the planning and development regulations of local authorities, environmental and flood prevention regulations of the Environment Agency and English Nature, heritage protection requirements of English Heritage, etc. It must supply all the information those regulatory bodies require. This ensures that BW cannot be judge in its own case. It also ensures that BW’s proposals must be fully publicised.

In this light, allegations made by other witnesses that BW is secretive about its developments, refuses to interact with local authorities, or prejudices the operation of its waterways for financial gain, are not credible.

5. CONSULTATION BY BW

Several witnesses alleged that BW will not listen to them.

However, in fact, over the past few years, BW has pursued a major “Openness and Accountability” initiative. This involved a zero-based review, in discussion with its users and customers, of its consultation processes. It resulted in a complete restructuring of how it consults with its users and of the format and procedures for handling issues and meetings. It also involved establishing a formal complaints procedure, which can move issues quickly from local management to director level, and from there to the fully-independent Waterways Ombudsman, if the complainant remains dissatisfied.

Far from being uncooperative in this area, BW can actually claim to be a model organisation in this respect.

It thus seems that the substance behind the allegations is not that BW has not listened to the witnesses, but rather that it has not done what the witnesses wanted. This is not proof of a shortcoming on BW’s part.

Sir Adrian Stott Bt

April 2007
Memorandum submitted by Simon Robbins (BW 23)

EXECUTIVE SUMMARY

To improve and succeed in the areas the Sub Committee identified, I believe British Waterways must improve performance on Openness and Accountability.

1. I believe progressing in this direction will enhance BW’s and DEFRA’s stated aims and ensure BW’s activities remain relevant and closely attuned to the needs and aspirations of existing and future stakeholders.

2. BW have made some progress with this issue, but I believe that such progress,
   — has not been consistent across all areas of operation,
   — has often been painful in its inception,
   — has consequently often been many years late in happening and in too many instances only commenced following prolonged pressure and criticism.

3. I would identify four headline areas of particular personal concern which I believe impact on all the subject areas the Committee has asked respondents to comment on:

   A—Separation of duties
   There seems to be little clear separation between BW’s duties to maintain and improve a much-valued heritage and leisure structure, which the majority of recipients do not pay for at the point of use, versus its need to generate independent income. In the extreme the supposed custodians of the waterways are also now its asset strippers.

   B—Lack of Confidence over outcomes
   Operational matters and BW’s property development activities and other commercial income streams should in consequence be subject to measurable targets and standards. Outcomes should be independently scrutinised perhaps using a methodology akin to the Audit Commission’s Key Lines of Enquiry for other public services.

   C—Commercial Exposure to financial risk
   Financial management mechanisms in BW’s existing commercial activities are opaque and just through uncertainty many users do not have full confidence in them. Many stakeholders are at best reluctant to offer confidence over the proposal that increased commercial activity represents a reliable or sustainable income stream.

   D—Failing to add value through public involvement
   I believe there is a wealth of experience and goodwill available towards BW but which is at best being left untapped and at worst, when overlooked or rejected, is translated into outright hostility and frustration at feeling excluded from the decision making processes surrounding a national treasure which most stakeholders are passionate about and wish to see succeed.

DETAILED SUBMISSION

Introduction

4. My main experience of British Waterways (BW) is as a craft licence holder of many years standing. I have owned narrowboats for over 17 years, and have lived on my boat as my main and principal home since 1991.

5. I have campaigned actively on boating issues throughout this time. I am a member of the Residential Boat Owners Association, (RBOA), the Barge Association (DBA) and the National Association of Boat Owners (NABO). I am currently a member of NABO Council.

6. This submission is offered in a personal capacity.

The financial framework of British Waterways and the impact of changes in DEFRA’s budget

7. I offer the general observation that BW ideally needs a predictable financial framework. Variations in Grant in Aid at short notice are particularly damaging and make it impossible for BW to plan strategically.

8. Other contributors are likely to comment on this so I will not elaborate here as I am confident the Committee will hear much on this which reflects my views.

9. I have attempted to highlight other issues of personal concern which I believe are also relevant to BW’s financial health and sustainability in the comments below.
Current users of the waterway network and their relationships with British Waterways

10. Access to the waterways is free at the point of use to most users and that is right and proper.
11. However I am unashamed in suggesting that of boat owners are worthy of special consideration.
12. BW is geographically the largest single inland navigation authority and custodians of the lion’s share of our inland waterways. Their network is also usually links the other smaller navigations to each other.
13. The reason boat owners are unique among waterway users is because we invest large amounts of capital in our craft, frequently amounts comparable to owning a second home.
14. We collectively bring many millions of pounds a year, every year, to the inland waterways’ economy through services we buy through waterways businesses we trade with. A significant proportion of this money flows directly and indirectly to BW.
15. While backlog repairs to navigation and infrastructure have greatly reduced over the last decade there are still many areas where general upkeep is not consistent. One is used to having to use facilities which are imperfect. The network is still fragile in places and if overall funding levels are not sustained, recent gains in the physical health of the network could quickly be lost.
16. On the positive side all main navigational routes remain passable and all the main structures are functional for most of the year. This is to the great credit of BW’s front line maintenance and operational staff.
17. The towpath and immediate vicinity of the canals and rivers under BW’s control in general remain highly attractive to the general public for a variety of leisure and amenity activities and this is again largely to the credit of frontline staff.
18. However as a boating customer I do not always feel BW value me as a loyal customer and from my experience as a Council Member of NABO I can say with certainty that many other boaters share these feelings.
19. Pricing policy towards BW managed permanent moorings has seen fees rise by amounts well in excess of inflation each year, especially since 2001, often in exchange for no improvement in service. The policy that led to these increases was introduced with grossly inadequate consultation.
20. In my case BW are my mooring provider and despite seeing higher fees, in January 2004 I had to engage the Waterways Ombudsman to get essential repairs done to the mooring, despite complaints and constant dialogue with BW going back to 1997. Remedial works were even then only completed in the Summer of 2006.
21. BW has in my view attempted to side step the primary legislation intended to offer limited security of tenure to customers (such as me) occupying properly established residential moorings. In my case they would only positively admit my status under such legislation when I issued a second Ombudsman complaint.
22. Lack of consistent consultation with boaters and other sections of the community means BW at times make major oversights in their operational business. Recent examples include:
23. In 2006 less than 20% of BW’s funding bid to Transport for London to improve towpaths was actually applied. The scheme was initially presented and marketed as being principally for the benefit of cyclists. It was seemingly only after the initial phase of works were completed that BW realised they had omitted to prepare a suitable health and safety audit. They then commissioned consultants only to discover that the intimate nature of towpaths means that there were a high number of incidents where cyclists and other users came into conflict. BW have now recognised the oversight but they only came to this realisation after the event, and under pressure of a welter of legitimate complaints, ironically from, among others, cyclists.
24. In 2005 BW replaced the lock mechanisms throughout the Kennet and Avon Canal. Despite complaints about the work from the earliest stage they pressed on with the full programme of works. The following year having admitted that the mechanisms they had fitted were unfit for purpose they had to undertake a second contract to replace the brand new mechanisms they had fitted the previous year with a second set.
25. In both instances lack of consultation or involvement with the stakeholders led to wastage and created a raft of bad feeling with canal users.
26. There are numerous other examples I could cite. These are usually smaller in their scale and impact than those described above but my conclusion is that BW’s performance when it come to specifying and executing projects is at best inconsistent. While in some matters they consult well and work closely with stakeholders and their representatives, and achieve commendable outcomes, there remain glaring omissions. This lack of consistency is unacceptable.
27. People like myself who are passionate on this subject are also in the main (though not exclusively) committed stakeholders. Most campaigners and activists put our energies into the work we do in connection with waterways as volunteers. In my case in spite of the sorts of difficulties and concerns described above I remain committed to the inland waterways to the point of making them my home.
28. Sadly I believe that BW still does not consistently demonstrate the skills or will to engage fully with people like myself.
29. There have been notable attempts at improvements in consultation and involvement in some areas most dear to boat owners in the last year, especially over management of the navigation and related facilities, and more improvements are promised. I reserve judgement as to what extent these initiatives will lead to better outcomes.

30. But in other areas, particularly when it comes to commercial activity, I see very limited progress and little mutual trust. This inevitably tarnishes the more positive aspects as do all too frequent failures of outcome in individual projects.

31. There is at times a feeling that boaters are perceived principally as another revenue stream and that we have nothing to offer beyond that.

Recent developments in the stewardship work and commercial activities of British Waterways, including its property portfolio

32. It is clear that BW are expected by DEFRA Ministers to be increasingly financially reliant on commercial activities and of these their property development business is the single most significant element.

Conflict of interests

33. BW promotes much of their property development as being regeneration activity and that is not unreasonable.

34. However organisationally BW face a fundamental dilemma—the board and management team are charged with protecting a national asset and heritage structure but are simultaneously charged with in effect privatising elements of this heritage in order to generate sufficient revenue for running costs.

35. Concerns over failure to consistently consult adequately with stakeholders in advance about the appropriateness of individual schemes frequently arise.

36. It seems to me one element of finding a better way through this dilemma might be to seek a much greater level of involvement and scrutiny of potentially controversial decisions by stakeholders than is typically applied at present.

37. I also have concerns that some BW staff, and particularly the senior management, are far too heavily incentivised in favour of commercial projects over stewardship considerations. I believe it would be of benefit and comfort to all concerned to greatly clarify these relationships.

Actual performance in Property Development

38. Delays and associated costs, in part as a result of strident objections to individual BW redevelopment proposals, when stakeholders feel involvement and scrutiny have been ineffective, mean that BW’s returns on individual schemes may not at times be what it could or should be.

39. The case of Castle Mill Boatyard in Oxford is perhaps the worst case scenario to date.

   — BW appear to have mobilised the whole of the local community including the local authority against their proposed redevelopment plans.

   — They were strongly criticised by a planning inspector who reviewed the proposal and by the judge who evicted protestors who occupied the site for a while.

   — The site is currently disused and has lain empty for many months. BW are incurring major expense to maintain vacant possession pending any possible sale. Local campaigners estimate the overall expenditure on this project is now close to exceeding any proceeds that BW might receive from any sale.

   — The market value of the site has been greatly reduced by the history of events and the ongoing hostility to redevelopment from the local community.

   — There is a deep and now embedded mistrust of BW generally in the local community in Oxford and confidence in BW will probably take many years to rebuild.

40. The negative impact of failing to consult adequately is therefore financially significant and most sharply illustrated by this case, albeit in perhaps a worst case scenario. The case shows how significant the costs can be of injudiciously pressing ahead without having undertaken effective consultation.

41. I believe other contributors are likely to offer other examples of this.

Speculative activities versus Financial Risk

42. I believe BW has moved beyond the original intentions of the powers they were given a decade or so ago, to behave more commercially. I believe the intention at that time was that BW should be empowered to realise income from redundant non-operational assets and also be allowed to engage in medium to low risk commercial activities. This was not an unreasonable direction.
43. However I believe BW have reached the point where most of the family silver on which to base such activities has been exploited (not always successfully). There is therefore a fear and increasing evidence that BW are becoming engaged in much more speculative activities.

44. Although BW try to manage risk in their most speculative schemes, for instance through subsidiary businesses and partnerships with the private sector, it also appears that the speculative costs of entering such arrangements are high.

45. When individual users seek to scrutinise or influence these activities, especially to get a feel for front end costs versus longer terms outcomes and potential gains, we are consistently met with what I can only describe as a wall of so called commercial confidentiality.

46. The result seems to be that BW’s most risky and speculative schemes are those least subject to direct scrutiny by stakeholders.

47. The financial risks are much more severe where the assets concerned were purchased speculatively, as opposed to being those held historically.

48. A fear is that major errors of judgement are being concealed or downplayed.

49. There is also a fear among some stakeholders that BW are currently so financially fragile and that they are unduly commercially exposed. It might only take one large scheme to fail and their commercial programme as whole may stall through lack of cash. Some of BW’s public comments about the effect of cuts to grant in aid seem to support such a fear.

Potential for growth in leisure and freight use of the waterways network

50. I will simply say that I believe there is great potential for BW in these respects but I have grave doubts about BW’s ability to deliver on such objectives, for the reasons discussed herein and others.

Relationships between British Waterways and central Government departments, Regional Development Agencies and local authorities

51. Much could be said on this but I will limit my comments to the context of BW’s property and regeneration activities.

False reliance on the local planning process

52. A trend I have observed is that in the local planning process, because BW have often not consulted effectively, local communities and individuals frequently feel obliged raise objections to redevelopment schemes with the local authority.

53. My impression is that BW are relying far to heavily on local authority planning processes to do (or not) the sorts of consultation that they should ideally be undertaking from the outset.

54. In a number of cases even after permission for a scheme is not granted at the first attempt, BW still refuse to fully engage with the relevant parties or the local authority. Instead BW frequently proceed to planning enquiries.

55. BW also frequently apply sometimes sophisticated (though sometimes not very - allegations of dirty tricks are far too frequent), and presumably expensive, PR to the problem.

56. This way of dealing with objectors seems a highly inefficient and ineffective use of resources when simply sitting down with the parties and consulting and negotiating effectively before the initial planning application might have in many cases improved matters, even if only to clarify and fully assess the merit of individual objections.

57. This is also a relatively expensive way to proceed because BW often cause significant resources to also be expended on the part of local authorities as such case are pursued through the appeal system.

58. As a consequence relationships with some local authorities appear strained. This in turn probably makes some local authorities much more sceptical of future proposals.

59. There is consequently at best a degree of scepticism in some communities about this aspect of BW’s work, communities, which might otherwise positively influence local authorities and other agencies to support BW’s work. This in turn feeds a strong general sense of mistrust over this area of BW’s work from “ordinary” users.
CONCLUSION

60. The executive summary I have offered deals with my conclusions arising out of these comments.

61. I would be happy to offer further evidence to elaborate or clarify anything contained in this submission and I confirm that I am content with these views being publicly available.

Simon Robbins
January 2007

Memorandum submitted by Del Brenner (BW 76)

REGENTS NETWORK

1. I am Del Brenner of the Regents Network. I am also a member of the London Waterways Commission which is the waterway advisory body for the Mayor of London.

2. The Regents Network is a waterways campaigning set-up, and based in London. Although attention is paid to all waterways in London, the Regents Network mainly concentrates on the capital’s canal network. The main objective is to enhance the waterways and bring them back to life, as well as to protect them from unsuitable and detrimental development. It is not an organisation, but a network of interested parties, and I act as the spokesman.

3. In the drafting of the London Plan, Regents Network made a significant contribution, and we are currently involved with a number of initiatives including the development of the London Freight Plan.

4. Regents Network has been much more active in the last few years as the threat to the canals has become more acute. One of the main problems is the impact of property development around the canals, which has changed the character of the waterways. More worryingly, this has not significantly contributed to bringing them back to life. To attract more attention to the canals themselves and raise their profile we engage as much as we can with local authorities throughout London as this is where many of the final decisions are made. We are very concerned that too many decisions seem to be made in ignorance, although we are pleased to find there is great deal of good will in local authorities towards London’s waterways.

5. When dealing with canal issues with local authorities and other agencies, we would like to have British Waterways working with us at our side in London. All too often we find that we clash head on with BW as they are working against us. For example Tottenham Hale, City Road Basin, business barges, Brentford, freight wharves and boat yards. For this reason we have not had a comfortable relationship with British Waterways at national level or with the senior management of London’s canals. We have been involved with high profile engagements with BW, and have contributed to a number of press articles and broadcasts on national and local canal issues. Although we deal from day to day with BW staff, at present we have declined to an invitation of a summit meeting with BW, and have said we will agree to meet when they start to listen.

OUTLINE OF EVIDENCE

6. My evidence will be following the lead given by the Committee, and will include the following issues:

(i) BW consultation (or lack of) and User Groups
   Too few public and user meetings
   BW working behind closed doors
   Engage with users at a late stage with a done deal

(ii) Waterspace strategies
   A device to carry our projects without consultation

(iii) Business barges
   Takes away water (permanently) for a land-based use
   Invented and driven by BW London

(iv) Changing waterway “standards”
   Downgrading potential use of the canals
   Reduced status of Lea Navigation (commercial waterway)
   Driven by the BW refusal to tackle dredging
(v) Freight renaissance
Almost no attention on freight by BW until recently
Only a token regard for freight development
BW are not fit for purpose in this regard

(vi) Dredging
This has to be tackled sometime in the near future
BW in denial

(vii) Incentive and bonus schemes
For top management and executives
Bonus schemes for staff recently ended!
Targets set by BW themselves
Seems to be based on turnover rather than results
Does this result in an unbalanced operation?

(viii) Financial and commercial involvement
For management and executives
Relationship with outside commercial interests
Directorships (one executive has 14 directorships)
Information not easily revealed, requires investigation

(ix) Property development
Needs to be scaled down, it is too dominant
BW failing in their core responsibilities
Management of the canals has become secondary

(x) A water city for East London
Reopening Bow Backs is to provide setting for property development
A new lock in Prescott Channel was planned long before the Olympics
The lock was to raise the water level to suit new properties
Includes property development on the water (business barges)

(xi) Where does the responsibility lie
I raise these issues as I consider that a positive and active future of the canals is just not going to happen.

Del Brenner
March 2007

Memorandum submitted by John Keyes (BW 79)

Following on from our recent telephone conversations, I am writing to confirm my wish to participate in the forthcoming public hearing at the National Waterways Museum on 16 April 2007. In addition to the submission that I have made on behalf of my community (Jericho Community Boatyard Ltd (BW 51)) on 15 January, I would like to provide further comment in a personal capacity. As discussed I will follow on with this in the very near future.

I have no objections to either of these submissions coming into the public domain, and would welcome the opportunity to make a personal appearance before the Committee, in public and on the record.

1. BACKGROUND AND EXPERIENCE

I first came to living full time on board a boat in 1975 when I went to sea aged 19, to work on a 50s timber prawn trawler working out of Port St Mary in the Isle of Man. Within the twelve months that I was working as a fisherman, I came to see the collapse of the fishing industry as far as it involved small independent operators. This resulted in the simultaneous disintegration of whole communities, especially those that were largely dependent on the fisheries. The cause of this demise was a change in government policy that sought to rationalise the fishing industry in favour of the larger more industrial vessels operated by large companies, and for reasons that have never become clear, foreign competitors.
It occurred to me only recently, that my concern for the welfare of the residential boating community on the inland waterways, might stem at least in part, from having witnessed first hand how small specialised communities can be profoundly threatened by the commercial interests of the government department responsible for the industry associated with their way of life.

I then read mechanical engineering at Birmingham University, and have worked for most of my professional life as a landscape architect, building contractor, and set and stage designer. Five and a half years ago I purchased a narrowboat, and have lived in or near to Oxford ever since, both on the canal, and on the River Thames.

2. ISSUES THAT I WOULD LIKE TO RAISE, ARE BROADLY

(i) The future security of the residential boating community on the inland waterways.

(ii) Some observations on the conflict between BW’s stewardship role with its aim to be financially self-sufficient, and BW’s accountability deficit and PR machinery, so often used to conceal this schism.

John Keyes

March 2007

Witnesses: Mr Simon Robbins, Mr Del Brenner and Mr John Keyes, Boat Residents/Local User Groups, gave evidence.

Q369 Chairman: Welcome, gentlemen. We are very pleased that you are able to join us. You know the format. We will do exactly the same thing, starting with Simon Robbins, then Del Brenner and on to John Keyes. If you could keep your remarks to about five minutes, that would be very helpful so we can get as many questions in as possible. Over to you, Simon.

Mr Robbins: Good afternoon, Chairman and Members of the Committee. I will get on with it. I would like to put a couple of suggestions to the Committee this afternoon. The first thing I would like to suggest is that it is time to consider permanent independent scrutiny of British Waterways and all its activities. The reason I think it is time to consider such serious measures is that I find British Waterways’ approach to many matters to be defensive, secretive, inefficient and bullying. Their attitude towards the public and their representatives increasingly seems to be, “Leave us alone and ask no questions, we know what we are doing”. Another reason to apply such rigorous scrutiny to British Waterways, as was touched on earlier, is that if, for example, English Heritage said, “We are going to raise money is raised and what it is used for. Thank you.

Mr Brenner: I will get straight to the point: are our canals in good hands? My answer is no, not if you are talking about top management, that is British Waterways and Government. I include Government here up until now maybe, we will see. Concentrating on BW, British Waterways’ role has become too dominant and too controlling, almost obsessive, there is a control freakery about it. BW has too much of a stranglehold. What this means is that the waterways have been taken out of other hands, that is obviously boaters and core users but also commercial and freight interests, marina and boatyard owners, residential moorers and so on, there is a long list of users and interests and they are sidelined. An example is the initiative for freight should be coming from industry and commerce but it seems that it cannot develop without the behest of BW, and this is the wrong way round. I would also like to identify at this stage the local authorities. All the canals obviously run through one or other local authority area stretch and that stretch of the canal should be in their hands on behalf of the community. It is gratifying that this Committee has homed in on the importance of local authorities, who have not come to the surface. I do not think it is a lack of interest on their part, it is all too often a lack of knowledge and expertise within the councils, they do not know what to do with the canals. To a great extent they have been disenfranchised, they do not think they have a right or the responsibility to become more deeply involved with the speciality of the waterways. I think this is made clear in the UDPs in the London area anyway which in most cases are very sound on waterway issues but the councils do not know what to do with their own policies, which is a bit sad really. Local authorities must be drawn in again and your Committee’s concern is most welcome, Chairman. There is a point in passing, that we would like to scrutinise the BW local authority road shows that are travelling around the country—BW mentioned them at a previous meeting—about which there is very little information available, surprise, surprise. We need to confirm that BW is not taking any more into their own hands, thus disenfranchising councils even further. Also at that level, the local authority level in the London region, we had the London Plan in 2004. A whole section of the London Plan, chapter 4C, is on the Blue Ribbon
Environment, Food and Rural Affairs Committee: Evidence

Good afternoon, Chairman. Thank you Mr Keyes: could you please comment to end, Chairman: we want our canals back, please. Thank you.

Mr Keyes: Good afternoon, Chairman. Thank you very much for giving us the opportunity to give evidence today. The usage of the canals has evolved from heavy goods haulage to being enjoyed by millions of people. BW are to be congratulated for their part in this transformation, but, from the perspective of a waterways user, BW do not look capable of becoming self-sufficient on the incomes that the waterways alone can sustain. The radio mast company has gone, as has the cable network business, the online holiday booking website has been losing money and the marina group has run into competition issues. Mooring fees and licence groups only account for about seven per cent of BW’s income. The two pubs are apparently doing satisfactorily but none of these will be capable of turning BW around financially to the point of financial independence. However, management’s challenge to try and prove that the latter is possible, together with the pressing need to keep the organisation afloat, seems to have resulted in a damaging conflict of interest between BW’s role as custodian of the waterways and their drive to liquidate public assets in order to raise money. Even as BW’s financial crisis deepens, and whilst this inquiry has been underway, we have learned that BW are to put a further 80 pieces of canal side land on the market and that most of these are currently let on a short-term basis and house boatyards and warehouses, which is rather an all too familiar story. When BW to decide to sell off some waterside land, do they agonise over the paradox between their role as custodian and steward and their need to raise income? The latter usually takes priority with the justification put down to insufficient government funding. It somehow gets left to planning departments and concerned individuals to defend a thin brown line of canal against BW’s drive to eliminate waterside assets and convert them into developments that will only satisfy land oriented demand. Should BW not be the first to ask searching questions about the operational value of the land, access to the water, potential freight usage and the effects of their proposals on local communities and businesses? This does not seem to be the case. So by what has been hidden. There is something driving this and I am sure it is to do with money; it has to be. In conclusion, we, that is the wider waterways’ interests, have got to take things into hand. The drive in initiative should come from the bottom up. We also want a culture to develop that it is okay to speak out about the canals and waterways, and that would benefit everyone but we are going to need a lot of help. To finish on a positive note, in London very recently TI L has got water freight in their grasp and are developing a number of very important initiatives for waterborne freight without British Waterways. BW are engaged as a navigational authority just as with freight initiatives on the Thames, for instance, the PLA are involved, but it is a very encouraging example. One overall comment to end, Chairman: we want our canals back, please. Thank you.
that British Waterways grant-in-aid funding should be restored, but not before there has been a root-and-branch overhaul of the whole management system and senior personnel at British Waterways. The membership of a restructured board should include user group representatives serving upon it so that the organisation can get some feeling back into its extremities and the property development culture that has arisen moderated. Funding should be paid at a level where BW are able to manage and maintain and modernise the waterways in their charge and attract investment without resorting to selling off public assets. As income streams start to grow again in a less commercially stressed environment funding could be reduced proportionately. Finally, may I say perhaps a new Waterways Act of Parliament could be called for that properly reflects the way in which the uses of the canals and rivers are really evolving and includes legislation to protect these waterways from pressures that currently threaten to overwhelm them. Thank you.

Q370 Chairman: Thank you, gentlemen. Can I just ask the initial question, and that is how much engagement do the three of you have with BW? Are you involved in any of the formal bodies that have taken evidence or are you basically working off your own bat?

Mr Robbins: Maybe if I can start that. I am a council member of the National Association of Boat Owners and I am the National Association of Boat Owners representative on a thing called the British Waterways Moorings Contracts Working Group. I was a consultee to the then Office of the Deputy Prime Minister on residential boating issues, so I have a very active engagement with British Waterways, but I cannot speak for my colleagues. I am also a member of the London Waterways Commission.

Mr Brenner: I have a fairly active involvement with Waterways at the lower level. At the moment I have not got a very active engagement with the executive at the higher level and I have made it clear that I will not have regular meetings and discussions with them until they start listening, and that is how things stand on that. Nevertheless, on a day-to-day basis in the locality I deal with British Waterways. I am an active member of the User Group Association of Boat Owners. I am also a member of the London Waterways Commission, which is a GLA advisory group that engages with BW at that level.

Mr Keyes: I, on the other hand, am a relative newcomer. I have only been involved with British Waterways for the last 18 months through having been elected to be a spokesman for the residential boaters, People of Jericho, in Oxford. Through negotiation, sometimes at quite high level, I have got to know quite a few BW managers and to interact with them, which I have to say is a task that has been very, very trying at times because you can engage with them and they will be perfectly agreeable and make promises but they never materialise. That is about the extent of my involvement with BW today.

Q371 Chairman: You heard the previous evidence session where there were some fairly stark opinions on the degree to which BW as a developer should be distinct from BW as a manager of the network. You have touched on those issues, but what fears do you have if BW becomes much more orientated towards developing its waterside sites as a way in which it could generate sufficient income to be able to bridge this gap at the moment?

Mr Brenner: I think our fears have already been realised. There is enormous neglect on British Waterways’ part of its navigation duties, its stewardship duties on the waterways, and its property development, and a very serious conflict of interest. There is one that has just arisen with which I am dealing on Limehouse Cut where British Waterways has two sites very close together, one where British Waterways objected to a five storey building which they thought should be set back from the water because of the negative impact on the water, and they then were involved with a 12 storey building just a few hundred yards down the Cut that they had no objection to and no comment about whatever because they were involved with a company called H2O Urban as a partner, so they made no comment about the development in any way at all. That is one example but there are many others. I can give you the rather tragic situation at Brentford where there was a total compromise. There are many examples like that where there are serious conflicts of interest and this is a matter that is already influencing the situation.

Mr Keyes: Personally I do not have an issue with British Waterways developing genuinely brownfield land. There are cases like Diglis Wharf where you have got a central location which has been used for the trans-shipment of goods and it is clearly not appropriate in this day and age but when BW developed that site they did not replace those facilities which are probably now going to be needed if they carry forward with their intentions of putting freight back on the waterways. Similarly, at Castle Mill Boatyard in Oxford, the local plan stipulated that the lost facilities should be replaced and the Government inspector’s report upheld this at appeal and those facilities are supposed to be replaced at an equally accessible and suitable location. We have been working with BW for the last year or so with a view to helping them achieve this aim so they can get their planning permission and they can get on with selling the site, however they have sold the site on without planning permission for considerably less than what it was worth, which I understand is in breach of one of their founding statutes under the 1968 Transport Act which insists they get the best value, and the community in Oxford still does not have a boatyard. It is not so much a development problem, it is inappropriate development and failure to replace facilities which are, after all, waterways facing. The other issue I have is that a lot of their developments are very much land-based, in other words offices and housing, and do not reflect the character, heritage or use of the waterways.

Q372 David Lepper: Mr Robbins, in your evidence you say: “My impression is that British Waterways are relying far too heavily on local authority
planning processes to do (or not) the sorts of consultation that they should ideally be undertaking from the outset”. I think you suggest that either an unwillingness or cack-handedness in dealing with those who might be their partners might well have jeopardised some of the kinds of property dealings that we have been discussing this afternoon. Could you just say a little more about that?

**Mr Robbins:** There is a whole lot more I could say about that.

**Q373 David Lepper:** Within the time constraints available.

**Mr Robbins:** Certainly. I draw a comparison with the sector I work in professionally, which is the public housing sector. I work as a management consultant specialising in regeneration and stock transfer of housing estates. If I compare the lengths my clients go to when they are proposing to knock down something as small as a 1,000 unit housing estate in terms of the consultation they do, the contact they make with users, the extent they all do that, with the way British Waterways approach property development, there is no comparison. That is why I have said in my submission it seems to me, and one of the other witnesses touched on this a little bit earlier on, British Waterways just from a purely business point of view should be doing that sort of preparation on their schemes in advance and they do not do it. John Keyes can talk more about that. The worst case example is the Castle Mill situation in Oxford.

**Chairman:** That is an invitation to John Keyes. We have got your written evidence but just pithily explain to us what you think went wrong.

**Q374 David Lepper:** Does Mr Keyes feel it is a lack of the right expertise within British Waterways or is it what others have described as an overbearing attitude which makes them fail to see what they ought to be doing?

**Mr Keyes:** I think it is a lack of the correct expertise. I do not think that British Waterways have attracted the right kind of staff. There is an increasing number of property specialists who clearly have interests which are understandably very different from those that we hold dear concerning the waterways and we believe they have an overweening interest. I put it down to serious mismanagement. We took the view that it is a great shame that a boatyard is going to be lost after 170 years but times move on, you cannot always successfully. There is therefore a fear and increasing evidence that BW are becoming engaged in more speculative activities.

**Q375 Mr Jack:** In your evidence, Mr Robbins, you say: “There is also a fear amongst some stakeholders that BW are currently so financially fragile that they are unduly commercially exposed.” Can you give us some further solid evidence to support that? What are the consequences of that statement?

**Mr Robbins:** The honest answer is I cannot give you solid evidence for reasons that other people have touched on. When we try to seek solid evidence of what is going on financially with British Waterways we seem to keep meeting with hurdles. I have got some papers in a file here, and I will not go through them because I do not think there is time, but it took approximately 18 months for British Waterways at director level and the community in Oxford and I have to say it was like a phrase I call cutting treacle with a railway sleeper. I think you get the general impression.

**Q376 Mr Jack:** Are you able to substantiate paragraph 43 of what you put in as evidence to us where you say: “However, I believe BW have reached the point where most of the family silver on which to base such activities has been exploited (not always successfully). There is therefore a fear and increasing evidence that BW are becoming engaged in much more speculative activities.”

**Mr Robbins:** I am not sure I can provide you with much evidence on the first part of your question for the reasons I said: to get such evidence I rely on British Waterways and I do not find them at all forthcoming on this point. On the speculative side of things, I touch on what I was saying before. The section I referred to was where it was the Chairman of British Waterways who talked about reinvesting

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1 Ev 142 para 53.
2 Ev 142 para 49.
capital into other capital projects and not being able to take capital out. Again, there is no real scrutiny of where and why particular sums of money are being invested. There was an example about two years ago where British Waterways reportedly spent £25 million or thereabouts buying a wharf building next to the canal in Camden. That may be a sensible idea as a speculative property development but apart from the fact that the building is next to the canal I am not quite sure what it has to do with the waterways.

Q377 Mr Jack: Mr Brenner, in your evidence which focuses, I think understandably, on matters connected with London, would you like to say a word or two about the freight potential? If you could just park the Olympics project for one moment because I think we have been pretty well advised on that and we are going to have a look at it; in a major metropolis like London what potential exists for meaningful development of freight traffic?

Mr Brenner: I think it has got enormous potential. I am an optimist but realistically you have got to look further ahead than most people look. They say, “There is a niche opportunity for freight” but I think it is a great deal better than that with a bit of vision. In London there is a 30 mile stretch without any locks at all and that is a wide waterway for 14 foot barges, so there is the potential for a very substantial highway right through one of the greatest cities and if it cannot be taken advantage of then I do not know what is going on. It also runs straight through Park Royal, which is one of the largest industrial sites in Europe, and, again, if it cannot take advantage of that I would be very surprised. It is more than a niche market, it is more than aggregates or waste/recyclates. Waste/recyclates is a big issue in London and there is a great deal of upheaval at the moment with the Mayor deciding to reorganise the whole of London’s waste, a great deal of which is already taken by the water, not on the canals, down the Thames to Mucking in the Thames Estuary. Nevertheless, there is a great opportunity which will spread on to the canals. Containerisation is a great opportunity. That has revolutionised freight since the demise of the canals and I do not think how containerisation can be taken advantage of on the canals has been considered carefully. As an example, there is a huge industrial site at Tottenham Hale up the Lee Navigation, which is a commercial waterway, and it is one of the seven largest waterways in the country. An enormous number of containers go from Tottenham Hale to Tilbury. There is a direct route from Tottenham Hale to Tilbury down the Lee Navigation through Bow Locks and down the Thames on a direct line to Tilbury without going near the roads. It needs to be looked at in a broader way and with a bit of vision there is great potential for it. Not long-haul. I suspect that something like Tottenham Hale to Tilbury would be considered a long-haul. There are not many locks so it is quite a suitable route, but generally on the canals it would be short-haul, and certainly not like in the city or anything like it was in the old days, certainly within the London region. In fact, with the development of King’s Cross, which I have been involved with for the last three or four years almost on a weekly basis, we are developing a route for supplying supermarkets with food in King’s Cross. People believe it probably takes weeks to get there but we can supply supermarket goods from Park Royal to King’s Cross within four hours, which is not quite as fast as a truck but not far off. Including even refrigerated goods because there is no reason why there should not be refrigerated containers. We have taken that example which we are still developing and I am afraid that the authorities at King’s Cross and Camden have not taken it up, we are still developing the idea, but it provides an exceedingly good example. Whether it comes off or not is another matter.

Q378 Mr Jack: Can I just ask who the “we” are?

Mr Brenner: I am the Vice-Chair of the King’s Cross Forum, so we are dealing with the matter on behalf of the community in the area. I very often use the term “we” because I work with other organisations, very often running what is called the Regents Network. It is not an organisation, it is a network, and I call myself the spokesman of the Network, very often voicing other people’s points of view. The information I give to you, where do you think I get that? I get that from the operators and other people. I act as a spokesman in that way. “We” means me expressing it but very often with the engagement of other people.

Q379 Mr Williams: Mr Brenner, you have given us some examples of good practice from local government in London in terms of the users of the waterways network but in general perhaps it is thought that the relationship between British Waterways and local government is not as good as it should be. Could you give some examples of how that relationship could be improved? As I understand it, at the moment local authorities have a power to work as partners with British Waterways but there is no duty and in that sense no initiative. I do not know whether you have any thoughts on those matters?

Mr Brenner: I would rather put it in the way that British Waterways does not work with local authorities, which is very seriously lacking. I go round to an enormous number of local authority meetings, planning meetings particularly, probably fighting last ditch battles against planning applications which are detrimental to the waterways, and I am not always a lone voice because there are other waterway people there, local residents and so on, but who is ever there? British Waterways is never there, and I mean never. You never, ever see them at planning meetings. Very often the written input into the planning consultation is either very meagre, not there at all or “no comment”. It is very rarely of any practical use or informative. When we respond to planning applications we do make it informative because with the local authorities who do not know a lot about the waterways we want to assist them to acknowledge the waterways and understand the waterways so that
they can take the decision rather than us telling them what to decide. Informing the local authorities is very important, it is crucial, but BW does not do it, they are just not there. What are they up to? They have 140-plus staff in London and increasing, we do not know what half the staff do.

Q380 Sir Peter Soulsby: Can I just return briefly, Mr Brenner, to the example you gave of potential for the use of freight. I was very taken by the figures Sir Adrian gave us earlier about the economics of freight. Is it not true that use of the sort you described, while superficially attractive, is never going to add up? Even the example you gave of four hours there and four hours back to serve supermarkets is never going to make commercial sense to anybody, is it?

Mr Brenner: Four hours there and four hours back with a barge which will take four lorries off the road. A lorry might take about half the time to get there but that one barge is doing four lorries worth, so there is an economic issue there. This does need to be thought through. We are coming across a lot of problems on the economy of scale and to do a one-off setup for that King’s Cross example is not perfectly viable, although it is pretty good. What we really want to do is to prime some sort of freight initiative. In London so that everybody sees the freight working on the waterways and hopefully they will see the example and want a bit of it. From all of the industrial people we have talked to, all the people on the waterways, there is no ill-will at all, they want to have a part of it, but say, “We don’t do freight any more otherwise we would love to be involved”. Once something kicks in I think it will snowball. We need to have some sort of vision to try to see if we can make it work somehow. I have not got the answers, I am quite honest about that. We have dealt with it so much and talked to so many people that it has got a lot of people behind it.

Mr Robbins: Just a very quick comment on freight. I agree in part with Sir Peter’s query that freight has a part to play. Also believe it is sustainable and it is quite possible, I would imagine, to get some kind of carbon credit or something in return for the fact that a barge uses nine times less fuel or carbon per tonne than a lorry does. I imagine it could be financially sustainable even if, as Simon says, it is not producing a huge amount of money. I think the waterways authority have an obligation to facilitate it wherever it is possible.

Chairman: Gentlemen, thank you very much for your evidence. You heard what I said previously, that what has been said is said and cannot be unsaid but there may be some additional points you wish to emphasise or enhance and we are willing to receive them. Thank you for your evidence and for coming all this way in some cases. It will be written up and published and will play a key part in our evidence and our eventual report. Thank you very much. If you could exit stage left we will get in our final three witnesses.

Supplementary memorandum submitted by Del Brenner (BW 76a)

What a very worthwhile evidence session at Gloucester on Monday. I have various items of information that I would like to place before the committee.

No meeting with BW until they listen

In response to a question on Monday, I confirmed that I would not have a meeting with BW until they start listening. I enclose the letter I wrote 2 years ago to BW Chief Executive which confirms this and gives reasons for my stance [Annex A3]. I am still awaiting a ‘culture’ change that would encourage me to have a summit meeting with BW.

In the meantime, I continue to deal with BW staff on a day-to-day basis.
Review of BW

We were only able to deal with a limited number of issues at the evidence session, and I attach my 2004 Report to Defra which covers many of the other issues in more detail [Annex B4]. I think the committee will find this useful and informative.

Regents Network Report: Are the Waterways of the Lower Lea Valley in Good Hands?

At Gloucester, I did not read the ‘memorandum’ from Adrian Stott and do not have a copy. I have been informed that it was very critical of me personally, and in particular there was a long critique of my November 2005 report on the Lea and the Prescott Lock.

I have not supplied the committee with a copy, and do not know if it has been forwarded to you from another source. However, to be certain that the committee have sight of what issues are being referred to, I have attached a copy of my original report.

I hope it will be clear that I do not oppose the impounding of some waterways in the Lower Lea area, nor the construction of some form of new lock. However, I am very critical of the BW proposal. I also point out in the report that there are viable alternatives routes to the Olympic area, and BW have made a point of firmly dismissing these opportunities. British Waterways have also downgraded the wonderful Bow Locks that have served so well for over 100 years, and downgraded the Lee Navigation itself. We wonder what they are up to, especially as they are designated as ‘Commercial Waterway’.

The intention of the above report is to raise these issues, as everyone else seems to keep their mouths firmly shut.

The Observer Article, December 2004

I mentioned in my evidence that there are a number of articles and press comments I have been involved with. The above Observer article caused a considerable stir, although to us it was very straightforward and to the point [Annex C].

The article resulted in an onslaught from BW on the Editor of the Observer(!), as well as an attack on myself. This did not go down well.

The committee may be interested in the issues that this spat raised [Annexes D-G].

Subsequently, the Observer obtained various items under freedom of information, but a follow-up article is yet to appear. The BBC were also alerted and have been showing interest in the plight of our waterways.

We often wonder why BW do not just keep their mouths shut, as they assist us greatly with their comments. They are one of our best publicists, which means we may be getting something right.

Del Brenner
April 2007

Further supplementary memorandum submitted by Del Brenner (BW 76b)

GRIDLOCKED

BBC Radio 4 on 15 May 2007

I hope you found the transcript useful.

Errata: (not in the transcript, but in what the BWB Chief Executive says!)

There are a few inaccuracies that I would like to point out.

1. Page 6, last paragraph: Robin Evans talks up the wharf at Stourton near Leeds, but the wharf (after four years) is not available for use. Peter Wynn has been trying for years to get hold of the wharf to use it, but BWB has not cooperated at all—even though it is on a Commercial Waterway, the Aire and Calder. Peter Wynn is the man who has the giant barge “Terra Marique” which transported Concorde down the Thames, and he specialises in getting abnormal loads off the roads.

4 Not printed.
5 Not printed.
6 Not printed.
7 Not printed.
8 Not printed.
The Stourton Wharf is ready to go. The millions paid for it are not being put to use, and we do not know where BW found the millions in the first place. We are rather concerned that BWB have deliberately dragged their feet, and it would be no surprise if they soon said that no one is using the wharf, so they are now going to develop it for housing. This may not be the full story, but it is certain that BWB is far more interested in being a property developer than a waterways freight promoter, so it might not be far from the truth.

2. Page 11, para 6: Robin Evans told the BBC that BWB has a safeguarded wharves policy for the London canals (I have confirmed this from the BBC). He told Gerry Northan an untruth. There is no such thing, and as has been pointed out to the Select Committee, no facilities of any kind on the canals are safeguarded. There is a boatyards survey that has just appeared, but even that does not fully protect the boatyards in London.

If British Waterways do not know what to say, they make it up. They may be showing signs of desperation, but it is a very dangerous game they are playing.

A direct route forward

I think it is about time that we in London, along with the rest of the nation, were given the chance to move forward with the canals—rather than being drawn sideways continually into BWBs financial machinations. We want an authority we can work by side with, and I truly do not see how we can work with the present (and I say, corrupted) BWB regime. The waterways have a great future, and an economically important future*, and I do not think our canals can be trusted in the hands of people who only have short-term financial aspirations while merely paying lip service to a long term vision.

I do not think that management of the canals and waterways is that complex. Very detailed, a bit specialised, extremely large and extensive, a great deal of responsibility, yes, but not complex. It is the management of the waterways on our behalf. There is a lot of admin clutter that should be stripped away, and it is that “clutter” that is causing the problems, diverting people’s attention and steering our canals down a dead-end route.

Economically important future

The long term future of the canals relies significantly on freight. This would give the canals a substantial nationally economic purpose, and something that is more strategic than leisure. It would not raise sufficient money to support the canals, but the national benefits (reduced pressure on gridlocked roads, environmental advantages, etc) of the canals means that a transport subsidy would more readily be forthcoming. It would be small in comparison with the billions that are spent on the roads and rail.

It would also mean that the bargaining position of the new British Waterways would be more sound—any quibble about the size of the subsidy and we end up with tens of thousands of lorries back on the road. That “threat” may never be made, but what a wonderful bargaining position for the canals to be in.

An extensive freight system thriving alongside the residential, educational and leisure uses of the canals could be achievable. There is plenty of room for everyone.

Oh dear!

I have just read a copy of the brief to consultants to undertake the “review” of BWB, and the one that has led to all the recent publicity about a sell-off. Freight is completely dismissed! And a number of other issues are ignored, such as the canals are a home for thousands of people.

My first reaction is that the brief is perverse, as it concentrates too heavily on the “big business” aspect and the desires of grandeur that the BWB management aspire to. It is too “city corporation” based and misses the point altogether.

The starting point for the review should be an analysis of what the canals and the users require that will put things on a sound footing. Then suggestions can be made to move the waterways management towards that objective. The brief, however, concentrates on the present status of the BWB management and finances and asks what is the next step. That’s the wrong starting point. Surprise, surprise.

I hope that this brief (an invitation from the Minister?) does not succeed in out-flanking the Select Committee.

Del Brenner

June 2007
Memorandum submitted by Nicholas MacWhirter (BW 54)

1. **Background**

I am Managing Director of Intermodal Solutions Ltd. (ISL). I am a small ship designer and consultant, and in this role I have designed tugs and barges for Cory Environmental to operate on the Thames, and small sea-going ships carrying waste for Dean and Dyball and Veolia Environmental (ex. Onyx UK).

2. **Relevant experience**

2.1 ISL has worked extensively on the Continent developing intermodal transport routes with Rhine based barge operating companies and their customers. In particular, ISL has worked in Holland and Germany developing technological solutions to facilitate the opening of more direct river-sea routes for the transport of new cars and car parts from vehicle manufacturers at Cologne on the Rhine and Russelsheim on the Mainz to ports lower on the Rhine and the UK.

2.2 ISL was sub-contracted by Mott, McDonald to assist in the production of the Waste by Water report for British Waterways in 2000. ISL’s role was to design and cost an appropriate barge for the transport of waste containers on the river Lea in London, to provide guidance on the transhipment interface between the barge and the canal side infrastructure, and to assist in writing the report.

2.3 In 2002, ISL was commissioned by Hampshire County Council to conduct a study into intermodal transport on the Hampshire coastline, including the Solent, and in 2003 was contracted by Veolia Environmental to conduct a study into the intermodal transport of household waste across Southampton Water to the new Energy from Waste facility at Marchwood on the West side. Both studies included the production of an extensive report.

2.4 The company was sub-contracted by Peter Brett Associates in 2005 to assist in the production of the West London Canal Network Water Freight study for British Waterways and Transport for London. ISL’s input was specifying the type of canal equipment that would be used for each business case, estimating the cost and duty cycle and the associated running costs for the barge movement and writing sections of the report.

2.5 ISL initiated and ran the Hackney waste by water pilot scheme to examine the viability of a new system for water transport of containerised household waste on the river Lea. The pilot was operational during the summer months of 2003 and 2004. The report is to be found at www.hackneywastebywater.com

2.6 I am coordinator of the British Waterways Action Forum whose website is to be found at www.britishwaterways-squanderingourinheritance.com

3. **Background**

3.1 Global warming is upon us, and if mankind is to survive, the steps we must take to counter this will influence every part of life, including the way we transport freight.

3.2 In future, financial advantage will increasingly be given to modes of transport, such as water, which can reduce the world’s carbon footprint. Inevitably, road transport will attract increased taxation, relative to rail and water, in the form of congestion charges and/or rising fuel duty.

3.3 Of the four principal transport modes, water is by far the least damaging to the environment. A 12 barge train operating on the Grand Union Paddington Arm in the 1950s, for example, could carry over 700 tonnes freight whilst producing less than 3% of the carbon emissions of the 30 + road vehicles it replaced. Even a single 70 tonne capacity barge produces less than 25% of the equivalent road vehicle emissions when carrying heavy loads such as aggregates and less than 15% when carrying low density loads such as waste.

3.4 The waterway network is not operating to anything like its maximum capacity for freight. In the early 1950s, for example, the London waterways alone were carrying over three million tonnes a year, excluding freight tonnage on the Thames.

3.5 The problems associated with the implementation of intermodal freight transport are not unique to Britain’s waterway system. In comparison with several Continental countries, Germany, Holland and Switzerland in particular, Britain is not good at transferring freight loads to rail or water to take advantage of reduced cost and environmental impact.

3.6 In the next few years, freight transport logistics must change to meet the challenge of the future, and the environmental benefits of water transport are such that the waterways will have to play a much more significant role.

3.7 Most of the following notes, except where stated, relate to freight transport on the London canal network. This is where ISL has gained most of its experience, where freight transport is least developed and where the potential is perhaps the greatest.
3.8 The waterway network administered by British Waterways in London includes the Grand Union, its Slough and Paddington Arms, the Regents canal, Limehouse Cut, the Hertford Union canal and the river Lea. All have differing characteristics which bear on their viability for freight transport. In general, the London canals are limited in size in relation to some of the Yorkshire canals, the Aire and Calder for example.

4. By comparison, what is happening on other waterways, for example the Thames, to meet the challenge of the future?

4.1 The latest Port of London Authority figures for freight on the Thames are for 2005. They show that there was a 47% increase in intra-port freight (that is, between the ports) within the Greater London area from 1.25–1.84 million tonnes in the one year—of this, 1.17 million tonnes were aggregates for construction. Much of this traffic was to Thames terminals as far upstream as Wandsworth, Battersea and Fulham.

4.2 The increased use of the Thames is directly attributable to economic and environmental pressures, and to the planning processes detailed in the London Plan, including the safeguarding of key wharves for water freight transport.

4.3 In 2005, the operational safeguarded Thames-side wharves saved over 950,000 trips by heavy goods vehicles. No less than 35 such safeguarded wharves are operational.

4.4 Within the last few months, one of the 15 non-operational but viable wharves, Alexander Wharf, was brought back into working use after lying idle for over a decade. The wharf is now being used to tranship over 1,000 tonnes of scrap stainless steel a month. Plans to bring several of the other non-operational wharves back into use are well advanced.

4.5 For many years, Cory Environmental have been shipping up to 700,000 tonnes of containerised household waste per year (approximately 15% of London’s total) from four riverside transfer stations as far up the Thames as Wandsworth to riverside landfill at Mucking in Essex. This operation takes over 100,000 heavy goods vehicle movements a year off the roads. Recently, Cory received planning approval for a Thames-side Energy from Waste (EfW) plant at Belvedere in East London. Planning permission was granted principally because water transport will be used to move the majority of the waste to the site.

4.6 These are impressive statistics, illustrating a water transport renaissance on the Thames led by a number of public bodies working in close cooperation with the private sector.

5. What disadvantages do the London canals have for freight transport?

5.1 The principal disadvantage of the waterways listed in para 3.8 is that they are all much smaller than the Thames and the maximum barge size is commensurately limited in length, beam and depth. All other things being equal, this inevitably has an impact on unit transport costs. In particular, water depth in places may not be sufficient to carry heavily laden freight barges—this can influence the loads that can be carried without high dredging costs being incurred.

5.2 With the exception of the 20 mile lock-free section of the Grand Union and its Paddington Arm, the waterways notes in para. 3.8 have locks varying in number and size. These limit the size of vessel that can use the waterway and slow the progress of barges, reducing the number of round trips that can be made per day or per week. Again, this has an impact on unit transport costs.

6. What advantages do the London canals have for freight transport?

6.1 Most waterways on the canal network are non-tidal. If the tidal wharves, for example on the Thames, do not have sufficient water depth at low tide they must either be dredged to ensure 24 hour access for barges or ships, or access will be limited to a number of hours either side of high water. If there is insufficient water depth for movement of the loaded ships, either the wharf owners must pass on high dredging costs to ensure an adequate water depth, or the business will have to be run to suit the tide, and ship owners must time arrivals and departures and the related transport logistics accordingly.

6.2 By contrast, water depth in the canal network remains much more constant. Barges can arrive and depart when it is convenient and logistics planning is therefore straightforward, easier in fact than for any other mode of transport as there will usually be less congestion on a waterway and timetables do not have to accommodate higher priority, faster traffic—a problem that has always beset the rail freight industry.

9 Source: Port of London Authority.
6.3 This ease of logistics planning on the waterways can yield significant benefits. Instead of the large quays required to stockpile freight at conventional wharfs, non-tidal waterways can make use of very small facilities to transship very large quantities of freight. For example, in Hackney, the ISL pilot scheme loaded the barge with containers through a four metre wide access gate in Hackney’s perimeter fence (see photographs in Appendix 1). By moving the barge fore and aft semi-automatically at its moorings, all Hackney’s 125,000 tonnes of waste per year could be loaded aboard the barge through the same access gate.

6.4 The relatively small and consistent distance between the water and the quayside on a canal, compared to a tidal waterway, makes it possible to develop transhipment technologies that remove the requirement for cranes and the staff to operate them; loads can be moved directly from road vehicle to barge. The Hackney pilot scheme, for example, proved that cranes were not necessary for transhipping Rollono or skip-lift type containers onto canal barges. With the right technologies in place, common or garden hook or skip lift trucks can do the job quicker and at much lower cost than a crane (see photographs in appendix 1). But with the wrong technology, the quayside becomes a costly bottleneck.

6.5 With the exception of glass, waste and recyclate are low density cargoes; size for size, the barges that carry them float much higher in the water than those that carry higher density cargoes such as aggregates. Costly dredging may be required to accommodate barges carrying the latter. It follows that canal infrastructure costs will be least if the lower density cargoes are targeted to get freight transport going at minimum cost. Higher density cargoes can follow, but only after a thorough analysis of ALL the costs and benefits to the customer and British Waterways.

6.6 Waste transfer stations are used to improve the efficiency of refuse collection vehicles (RCVs) throughout the country. Instead of journeying to distant landfill sites or EfW facilities, the RCVs discharge at a local transfer station if one is available, and can then be back on their collection beats in minutes. But transfer stations use valuable land and are something of a noisy, smelly environmental blight, generally hated by local residents. In addition, the benefit of increased RCV efficiency must be balanced against the cost of transfer. These are high; the real cost of transferring waste from RCV to barge at the four Thames-side transfer stations, for example, is between £6 and £10 per tonne. The cost of transferring 10 tonnes of waste to another transport mode is therefore at least £60 for a 10 tonne RCV load, this for a commodity that at present has little or no intrinsic value.

6.7 In addition to RCVs, Rollono and skip type containers are now a UK standard for companies collecting waste and recyclables. There are tens of thousands of these containers in daily use in London alone. The efficiency of the hook and skip lift vehicles that move them is in large part dependant on the number of round trips that each vehicle can make per day—a company that is able to pick up 10 containers per vehicle will be making greater profit than its competitor who might only manage six. On London’s congested streets, the shorter the distance to the location where such vehicles can drop off the loaded container and pick up an empty container for the next customer, the more units per day they will carry, and the less fuel per unit they will burn in doing so.

6.8 As the Hackney pilot showed, barges can add value to road vehicle operations in the vicinity by acting as mobile transfer stations onto which both RCVs and hook and skip lift vehicles can demount their waste containers, with four significant advantages over conventional land-based transfer stations:

1. Reduced cost of transfer—the waste or recyclate stays in the container during transhipment to and from the barge, reducing the transfer costs, typically between £6 and £10 per tonne in London.
2. Reduced infrastructure requirement—the container can be placed aboard the barge by the road vehicle—no crane and no additional personnel are required (see photographs in appendix 1).
3. Reduced infrastructure requirement and improved environment—the barge is the transport medium, there is no transfer station.
4. Reduced cost of transport—with the container on the barge, the transport costs are now significantly less than by road.

6.9 The fly in this otherwise appealing ointment is that a large number of containers have to be in circulation for the system to work. This is not seen as a major obstacle provided that the container assets are driven hard to minimise their number and cost. It is, after all, exactly the principal that has been used to sustain the worldwide traffic in 20’ TEU and 40’ FEU containers, a traffic that has grown so much since the 1960s that it could now be said to be one of the driving forces behind the growth of the Far East tiger economies.
7. Setting the scene behind the potential for waste transport on London’s canals, for example

7.1 The following statement is to be found on the capitalwastefacts.co.uk website:

“London produces approximately 17 million tonnes of waste each year. This is made up of household, business and industrial waste, including construction and demolition waste and some hazardous waste. Municipal solid waste, which accounts for a quarter of all waste in London, is collected by Local Authorities, including household waste, civic amenity waste, litter and some business waste. It is dealt with in a number of ways; recycled or composted, incinerated or sent to landfill. We recycle 9% of this waste, incinerate 20% and landfill the remaining 71%.”

7.2 The vast majority of this 17 million tonnes waste will be on London’s roads at some stage during its collection or transport. Small wonder that it is estimated that one in 10 trucks on Europe’s roads are carrying waste.11

7.3 The transport of such large quantities of waste is recognised as one of the key problems faced by the GLA in implementing the Mayor’s 2003 Municipal Waste Management Strategy. In Chapter 2 of this report, Table 2 is entitled “Key issues for waste in London: constraints and problems” and includes the following bulleted key point:

“Waste transport already has, and will increasingly have, an adverse environmental impact. We therefore have to deal with our waste closer to its point of production and use the most environmentally friendly methods and modes of transport.”

7.4 There are numerous other references in the document to the need to increase the transport of waste by water. For example:

“Proposal 94: The Mayor will require waste authorities to include contract conditions and specifications in waste or associated contracts, which:

... — Maintain and increase the use of rail and water transport.”

“4S.4 When new waste contracts are being developed, the Mayor expects that all contracts with any waste transport implications consider minimising the effects, including consideration of possible alternative modes. For contracts with significant transportation elements, a full assessment of the effects of the transportation of waste should be carried out, including an assessment of the onward movement of materials after processing. This should also include meaningful and full consideration of the use of water and rail, as alternatives to road transport.”

“4S.9 The canal and river network can play a small, but significant, role in the future collection of waste and recyclables. The waterway network crosses Greater London from west to east passing through suburban and densely developed areas. Every one of the 13 inner London boroughs has access to the waterway network.”

“4S.14 The GLA Act 1999 requires this Strategy to have regard to the desirability of promoting the use of the River Thames safely for the transportation of freight. In order to realise the potential for the waterway network, to carry a greater proportion of London’s waste, it will be necessary to increase the number of facilities located on the waterway network and encourage waste authorities within their waste contracts and strategies to seriously consider the use of water as a transport medium. However, any increased use of the waterways for waste transport should be accompanied by an environmental risk assessment to ensure there is no potential detrimental effect for example on water quality and habitats.”

“4S.16 The primary barrier to maintaining and increasing the proportion of waste carried by water and rail is the lack of waste facilities within London served by the water and rail networks. This Strategy and future planning for land use in relation to waste management will aim to locate as many waste and recycling facilities as possible on the water and rail networks in London.”

“4S.17 Even when waste management facilities are located adjacent to the water and rail networks they are not necessarily used. The incinerator at Edmonton and the glass recycling plant at Greenwich are both located on the waterway network but are not serviced by it. Barriers are largely infrastructure related and can be resolved by using grants to improve or install facilities on the water or rail networks. Although for rail, track path capacity can be an issue.”

“4S.19 The London Plan will consider the land use requirements for waste management facilities in London. The transportation of waste to and from these sites will be a key consideration. Therefore, the future role for the canal, river and rail networks needs to be assessed and future viable developments identified.”

“4S.20 Changes in waste transport will occur when waste is diverted away from landfills to deal with the increasing levels of source-separated recycling. This will in turn require new patterns of movement, serving new destinations. We should ensure that the opportunities created by these changes, to improve the sustainability of waste transport are not missed.”

“Policy 39: The Mayor will, in line with the Best Practicable Environmental Option, aim to minimise the environmental impact of the collection and transportation of waste and recyclables, both before and after processing.”

“Policy 40: The Mayor will work with all agencies, including TfL and the LDA, to develop the capacity of sustainable modes for the transport of waste and recyclables in London, and will promote new schemes where they are feasible within this overall framework.”

“Proposal 87: The Mayor will ensure, in his review of contracts, municipal waste management strategies and planning applications for waste facilities, that waste authorities have considered transport implications and, where appropriate, undertaken a full transport assessment of the impacts of the transportation of their waste. Waste authorities should demonstrate that meaningful and full consideration has been given to the use of water and rail transport.”

“Proposal 88: The Mayor will encourage the use of sustainable modes of transport (particularly, rail, river and canal). Where materials cannot be managed locally, wharves and rail waste transfer stations that are, or can be made viable, for the movement of recyclables and residual waste should be protected through the London Plan.”

7.5 The quotations from London's Waste Management Strategy in paragraph 7.4 above make it clear that GLA policy makers consider water transport must play a key role in developing strategy. And things have moved on since 2003. In December, 2006, the GLA published the London Waste Apportionment Study which was undertaken by the consultants Jacobs Babtie. The first paragraph of the executive summary states:

“Draft further alterations to the London Plan require that London becomes 85% self sufficient in waste management by 2020. Achievement of this target will require new waste management infrastructure to complement that which already exists. Analysis carried out by the Greater London Authority indicates that, in strategic, London-wide terms, there will be sufficient capacity in the form of land suitable for waste management development to be able to meet these targets. However, this analysis also reveals that there is unlikely to be sufficient capacity/sites in all London Boroughs, to enable all Boroughs to be self-sufficient in their own right. As a consequence, in order to enable London to meet its strategic self sufficiency target, there is a need to apportion waste that cannot be managed within boroughs with insufficient capacity, to other London boroughs.”

7.6 An increase to 85% self-sufficiency coupled to a waste apportionment policy can only mean an increased waste transport requirement within London.

7.7 The Waste Apportionment Study developed a fairly sophisticated methodology to share out London’s total requirement for waste management facilities between the Boroughs. The methodology was based on nine key criteria by which the study considered a fair apportionment could be made. Of these, Criterion No. 2 was “Proximity to waste arisings”, No. 3 was “Proximity to sustainable transport modes” and No. 5 was “Ability to use sustainable transport modes (rail and water)”. Weightings were given to all the criteria according to their perceived strength.

7.8 In discussing Criterion No. 2, paragraph 4.36 of Part A of the report stated:

“It was considered that the proximity to waste arisings could be evaluated using rail and water transport modes as well as road travel. However, it was agreed at the stakeholder workshop that transfer of waste by rail within London was unlikely, but that navigable waterways were a realistic mode to incorporate within this criterion.”

It is significant that the London Borough Authority planning and waste officers who formed the stakeholder workshop considered, with one exception, that a high weighting should be given to this criterion.
7.9 The general mechanism by which Criteria Nos. 3 and 5 were applied to the analysis was described in the executive summary as follows:

“Sustainable transport is a major national, regional and local planning policy driver. Density of rail network and navigable waterways (ie centimetres of rail track/canal per square kilometre) was used as an indicator for sustainable transport. In addition, these criteria took account of the ability to use sustainable transport modes by incorporating a representative value for the number of protected wharfs in each borough. Data was not available for the number of rail nodes.”

7.10 Paragraphs 7.3 to 7.9 above are included to illustrate that there is the political will to encourage sustainable waste transport on the waterway network in London.

7.11 Meanwhile, on London’s waste transport coalface, the market has been changing rapidly and this will continue, driven by factors including:

1. The gradual reduction, under EC directive, of landfilled waste; by 2010, for example, the landfill of biodegradable municipal waste must be reduced to 75% of 1995 levels. Waste disposal strategy is increasingly being led by diversion to recycling coupled with new waste disposal technologies such as low emission Energy from Waste, Mechanical Biological Treatment, Gasification, Pyrolysis, etc. These new technologies are high cost and, to an extent, work against the principal of recycling (waste disposal contracts have minimum quantity thresholds to encourage private sector investment—too much recycling, and these might be crossed at the public expense). Such disposal facilities are therefore fewer in number, located further apart than previous landfill sites, and worked intensively. The inevitable result is increased transport activity as waste is moved over greater distances to fewer reprocessing facilities.

2. European Working Time Directives are reducing the hours that drivers can work. This increases the number of vehicles and drivers required, and increases driver employment costs at a rate higher than inflation.12

3. Driver shortages in the waste management sector, which is perceived to be an unattractive working environment.13

4. Disproportionately rising (in relation to barge transport) vehicle insurance, road congestion and fuel charges.

All these factors work in favour of moving waste transport from roads to water.

7.12 In earlier oral evidence to the Committee, Mr. Schlegel commented with regard to waste transport by barge “if double handling comes into it at any stage it becomes a problem and the economics kill it”. I agree completely with his statement but would add the caveat that if the double handling problem is solved, the cost/benefit balance changes completely.

7.13 The Hackney pilot scheme demonstrated that waste could be transhipped to barge at much lower cost than hitherto because there was no requirement for double handling. The report indicated that full implementation could reduce Hackney’s road waste transport mileage by 52% and capital and annual operating costs could fall by 23% and 33% respectively (see report Executive Summary at www.hackneywastebywater.com).

7.14 Two different types of Multi-Modal Refuse Collection Vehicle (MMRCV) were used in the Hackney pilot scheme (see photographs and report in Appendix 1). MMRCVs differ from conventional RCVs in that the waste is compacted into a container, rather than a fixed body on the vehicle. The full container can then be demounted onto the ground, or as the pilot proved, directly onto a specially designed barge—no transfer station and no double-handling is required. The vehicles thus make waste and recyclate collection more efficient, regardless of the transport mode used to move the containers to the discharge point—barge transport is just one option.

7.15 This concept is well-proven in many Continental cities; Barcelona, for example, uses the technology exclusively. The Hackney pilot scheme prompted Transport for London to invest in the development of MMRCVs (in the wrong direction with regard to the container handling, in my view) to make them more appropriate for London operations. TfL’s intention is that all London Boroughs who would benefit from intermodal waste transport would use these vehicles.

7.16 In other words, in addition to the waste transport operation on the Thames, large scale sustainable waste transport on the London canal network is within our grasp. The political will is gathering, market forces are pushing in the same direction, and MMRCVs working with barges can provide the means.

7.17 The 15 London Boroughs which have access to the BW waterway network (shaded in colour on the map below) represent a significant part of the Greater London area.

13 Not printed.
7.18 London Waste’s EfW facility at Edmonton on the river Lea and the SELCHP EfW at New Cross are identified on the map, along with the recently approved Cory Environmental unit at Belvedere on the Thames. The Mechanical Biological Treatment (MBT) plant at Powerday’s Old Oak site alongside the Paddington Branch which is proposed by several business cases in the WLCN study is also shown, along with an MBT plant proposed by this document on the Main Line of the Grand Union at Hayes.

7.19 Rollonoff and skip-lift type waste containers from boroughs South of the Thames, particularly those to the West of the tidal locks, such as Richmond and Kingston, could also be moved onto the canal system, for example, at Brentford. These boroughs have not been included in this assessment.

7.20 The large Thames-side recycling centres at Charlton, Dagenham and Rainham are also shown on the map in para. 7.17 above. Water transport to these facilities has also not been included as part of this assessment but they represent a significant additional opportunity for generating freight traffic on London’s canal system. They were located alongside the Thames to make barge transport of recyclate to the sites an option. This has not proved possible to date, mainly because the high costs of transhipment to and from the barges on the tidal Thames make it uneconomical. The Hackney pilot showed that these transhipment costs can be minimised on the canal system. In my view, recyclate could be transported to these three facilities by barge, particularly from wharves such as Brentford in West London, at considerably lower cost than by road and, perhaps more significantly, at lower cost than by barge from the waste transfer stations on the Thames.

8. The potential for waste transport on the London canal network, for example

8.1 The tonnages of municipal solid waste produced by the boroughs shown on the map in para. 8.1 above are tabulated below (source: capitalwastefacts.co.uk), along with the canal to which they have access, an estimate of the waste percentage that might be transported by water from each borough, and the resultant tonnage to canal transport.
**Environment, Food and Rural Affairs Committee: Evidence**

<table>
<thead>
<tr>
<th>Borough</th>
<th>Canal</th>
<th>Waste Disposal Facility</th>
<th>Municipal Solid Waste tonnage</th>
<th>Estimated Percent to Total Tonnage to Canal</th>
</tr>
</thead>
<tbody>
<tr>
<td>Brent</td>
<td>Paddington Branch</td>
<td>Powerday or Hayes?</td>
<td>284,131</td>
<td>100%</td>
</tr>
<tr>
<td>Camden</td>
<td>Regents</td>
<td>Powerday or Hayes?</td>
<td>235,214</td>
<td>100%</td>
</tr>
<tr>
<td>Ealing</td>
<td>Paddington Branch</td>
<td>Powerday or Hayes?</td>
<td>304,895</td>
<td>65%</td>
</tr>
<tr>
<td>Enfield</td>
<td>River Lea</td>
<td>Edmonton</td>
<td>314,725</td>
<td>15%</td>
</tr>
<tr>
<td>Hackney</td>
<td>River Lea &amp; Regents</td>
<td>Edmonton</td>
<td>124,674</td>
<td>100%</td>
</tr>
<tr>
<td>Hammersmith &amp; Fulham</td>
<td>Paddington Branch</td>
<td>Powerday or Hayes?</td>
<td>149,076</td>
<td>0%</td>
</tr>
<tr>
<td>Haringey</td>
<td>River Lea</td>
<td>Edmonton</td>
<td>236,800</td>
<td>10%</td>
</tr>
<tr>
<td>Hillingdon</td>
<td>Grand Union Main Line</td>
<td>Powerday or Hayes?</td>
<td>167,724</td>
<td>10%</td>
</tr>
<tr>
<td>Hounslow</td>
<td>Grand Union Main Line</td>
<td>Powerday or Hayes?</td>
<td>235,933</td>
<td>40%</td>
</tr>
<tr>
<td>Islington</td>
<td>Regents</td>
<td>Powerday or Hayes?</td>
<td>204,867</td>
<td>100%</td>
</tr>
<tr>
<td>Kensington &amp; Chelsea</td>
<td>Paddington Branch</td>
<td>Belvedere</td>
<td>90,821</td>
<td>0%</td>
</tr>
<tr>
<td>Newham</td>
<td>River Lea</td>
<td>Edmonton</td>
<td>123,822</td>
<td>100%</td>
</tr>
<tr>
<td>Tower Hamlets</td>
<td>R. Lea, Limehouse Cut &amp; Hertford Union</td>
<td>Edmonton or Belvedere</td>
<td>103,397</td>
<td>0%</td>
</tr>
<tr>
<td>Waltham Forest</td>
<td>Regents</td>
<td>Powerday or Hayes?</td>
<td>293,248</td>
<td>0%</td>
</tr>
<tr>
<td>Westminster</td>
<td>Regents</td>
<td>Powerday or Hayes?</td>
<td>126,084</td>
<td>25%</td>
</tr>
<tr>
<td></td>
<td>Totals:</td>
<td></td>
<td>2,995,411</td>
<td>46%</td>
</tr>
</tbody>
</table>

* Currently all or part of this waste goes by barge to landfill at Mucking in Essex.

8.2 Note that the figures in the right hand column headed Estimated Total Tonnage to Canal do not include the tonnage that currently goes down the Thames to landfill at Mucking, most of which will presumably in future go to the recently approved Belvedere EfW. At present, the majority of the municipal waste from the Western Riverside Borough group (Kensington and Chelsea, Hammersmith and Fulham, Wandsworth and Lambeth) and from Tower Hamlets goes by barge to Mucking, along with a proportion of Westminster’s waste.

8.3 The figures are estimates only, but they give an indication that the total waste that could be transported on London’s waterway network, excluding the Thames, is about 1.36 million tonnes, 94% in excess of the 700,000 tonnes currently moved on the Thames. Approximately 1.03 million tonnes (76% of the total) of this would be on the Grand Union main line and its Paddington Branch, with the remaining 329,600 tonnes (24% of the total) on the Lea.

8.4 On the river Lea, the total 329,600 tonnes of waste per year would be carried by about 23 loaded barge journeys per day, excluding weekends. These barges would probably be self-powered rather than towed or pushed as there are at least two locks to be negotiated and this is easier in a self-powered unit. This represents approximately six barge movements per hour during an eight hour working day, a relatively small number for a waterway which, by itself, carried over two million tonnes per year in the early 1950s.

8.5 On the Grand Union and its Paddington Branch, 1.36 million tonnes per year would be carried by about 116 individual loaded barge journeys per day, again excluding weekends. These barges would probably be towed by a tug in trains of up to six (in the 1950s, these trains were up to twelve) as there are no locks to negotiate on the 19 mile lock-free section between Camden and Cowley (16 miles lock-free to Hayes, the site of the MBT proposed in this document). Thus there might be up to 30 such loaded barge trains per day, assuming an average of four barges per train. This represents approximately eight barge train movements per hour during an eight hour working day. This is undoubtedly an intensive use of the canal, but carefully managed, its impact on pleasure boaters need not be great. And the barge trains would be carrying the equivalent load of about 260 20 tonne bulk waste road transporters per day using less than 10% of the fuel. It is also worth noting that if the transport service were operated seven days a week, the number of loaded barge trains would reduce to about 22 per day.
9. How have British Waterways responded to this challenge?

9.1 It is unfortunate that British Waterways have not given freight the priority that it deserves, particularly given the contribution that the network could make to the environment. It is quite another matter that BW should be prepared to obstruct private sector initiatives that have sought with government funding to get freight transport off the roads and moving on key waterways. Appendix 1 describes the Hackney pilot scheme where BW worked from the beginning to stop the waste transport project and Appendix 2 details a similar attitude on the river Weaver.

9.2 The committee’s attention is drawn to the final two paragraphs of page 4 and the first five paragraphs of page 5 of a document submitted to DEFRA by Neil Edwards, Chief Executive of the Inland Waterways Association in July 2004 (see Appendix 3). The complete text can be found on the internet at www.waterways.org.uk/Library/ConsultationResponses/main_content/defra_bw.pdf. I am in complete agreement with all the comments made in these paragraphs, the only proviso being that judging from the fifth paragraph on page 5 of their document, IWA were clearly unaware that BW had been taking steps to frustrate this initiative.

9.3 In paragraph 4 on page 5 of the IWA document included as Appendix 3, Mr. Edwards makes reference to BW staff being unaware of the London Plan and, as he puts it, “therefore, its commitment to water freight”. Unfortunately, this has not changed. In a recent submission to a public inquiry in Brentford (BW wish to develop houses, partly on the site of a disused but very obviously viable wharf), BW’s representatives submitted, as part of their evidence, a BW document which concludes that “a case could not be made for protected canalside locations simply because they could be used to transfer freight between road and barge” (see Appendix 4, page 15). This was BW making policy on the hoof, unaware or dismissive of the provisions of the London Plan, despite the fact that it is mentioned on Page 12 of their document.

Policy 3C.24 of the London Plan states:

“The Mayor will promote the sustainable development of the full range of road, rail and waterborne freight facilities in London and seek to improve integration between the modes and between major rail interchanges and the centres they serve.”

And Policy 4C.15 states:

“The Mayor will, and boroughs should, protect Safeguarded Wharves for cargo-handling uses, such as inter-port or transhipment movements and freight-related purposes. The Mayor will, and Boroughs should, encourage appropriate temporary uses of vacant Safeguarded Wharves. Temporary uses should only be allowed where they do not preclude the wharf being used for cargo-handling uses. Development next to or opposite Safeguarded Wharves should be designed to minimise the potential for conflicts of use and disturbance. The redevelopment of Safeguarded Wharves should only be accepted if the wharf is no longer viable or capable of being made viable for cargo-handling”.

9.4 A number of other points in the BW document forming Appendix 4 of this evidence should be brought to the Committee’s attention as this document is headed “British Waterways Strategy on Freight on the London Canal Network”; clearly, the contents are now BW policy.

9.5 On page 14 of the BW document, under the heading “Containers” on page 13 of the BW document, the statement is made “BW has carried out trials in Hackney on modified refuse carts . . .”. This is completely untrue as Appendix 1 makes clear. This follows the BW Chief Executive making the claim to a 2004 Parliamentary Waterways Group meeting that BW had opened four wharves on the London canal network. That, too, was untrue. Two of the wharves were developed for the Hackney pilot scheme and had nothing to do with BW. British Waterways have a habit of claiming credit for freight initiatives that have nothing to do with them, indeed, which they have worked behind the scenes to disrupt.

9.6 Under the heading “Containers” on page 13 of the BW document, the comment is made “In order to effectively carry freight inland waterways often need substantial additional investment, and we need the same upfront investment whether we carry one or one hundred freight carriers. This additional investment is high-risk for us, as we could make a substantial loss if we do not encourage enough carriage. We wholly support the additional public benefits this investment will bring, however we have to consider these, along with the financial risks involved when deciding whether to facilitate freight.” In my view, this goes to the heart of BW’s dilemma over freight transport. BW’s management fear that the public investment will be high and the return on this investment negligible, at least as far as BW are concerned. They recognise that they must be seen to be encouraging freight transport, but too often as a freight project develops and the necessary infrastructure costs become clearer, BW have backed away from their initial commitment. This is completely counter-productive, wasting public and private sector time and money and worse, giving the completely false impression that in reality there is no potential.

9.7 On page 15 of the BW document under the heading “Future potential freight development in London” nine rather vague conclusions are drawn, purporting to be supported by the findings of the West London canal network (WLCN) study, completed in 2005. As stated in para. 2.4, I worked on this study. Paragraphs 9.8 to 9.12 below refer to these conclusions.
9.8 Bulleted item No. 2 states that “Movement by barge can be a more cost-effective solution than road for certain commodities over short distances where both ends of the journey are close to the canal”. Apart from not quantifying what a “short distance” is (one mile? two miles? four miles?), the statement implies that longer distance (five miles? 10 miles? 20 miles?) journeys by barge are not cost-effective. This is not true, and is not supported by the main body of the WLCN report (see, in particular, the third paragraph in Section 7.1.2 of the report).

9.9 Bulleted item No. 3 states that “Transport economics are not the main constraint on freight movement but rather the location of ‘origins’ and ‘destinations’”. Again, the body of the report does not support this. Transport economics are always the main constraint on freight movement. The “origins” and “destinations” were just those chosen for the report! There are plenty of others.

9.10 Bulleted item No. 5 states that “Journeys where more than two locks are negotiated are less economic than road”. This statement is nonsense and not supported by the body of the report. What happens between the second and the third lock that does not happen between the first and second lock? It is true to say, and the report supports this, that the more locks the barge operator has to negotiate, the higher his costs will be, but to suggest that two or more locks will render the waterways “less economic than road” is nonsense and indicates a fundamental lack of understanding.

9.11 Bulleted item No. 6 makes the assertion discussed in para. 9.6 above.

9.12 Bulleted item No. 7 states that “Identified suitable locations for MMRCV containerised transfer stations should then be protected against alternative development uses”. This is partly true, but misses the point. The Hackney pilot showed that there are canal-side sites which need protection where MMRCVs are used intensively such as Hackney’s Millfields Road base, but the real benefits are to be had from numerous occasionally used loading sites, each of which have other uses. This is normal practice on the Continent where these vehicles swap containers on sites such as sports centre car parks, industrial estates or road laybys, thereby reducing costs and the effect of many MMRCVs coming together at the same loading point, creating their own road congestion. For example, multiple multi-use barge loading sites could be located within the Park Royal industrial estate to reduce traffic pinch-points. The same sites could be used by hook and skip lift vehicles.

9.13 The conclusion that must be drawn from the comments above is that this British Waterways document, in seeking to promote freight on the London canal network, is very weak on strategy, a weakness underpinned by a fundamental lack of interest in the market for freight transport by water or its potential. It is a document produced by an organisation with its priorities elsewhere.

9.14 Throughout the 2003 and 2004 operation of the Hackney pilot scheme, not one British Waterways director or employee turned up to watch the pilot in action or contacted ISL to ask questions about the potential or the methodology. Far from “facilitating water transport”, one of their key responsibilities, BW were instrumental in starving ISL of much needed and already approved funds for the project. When it went ahead anyway, BW stopped the pilot from moving to the next stage (a small scale implementation in Hackney) by excluding ISL from the decision making process (see Appendix 1). BW’s true commitment can also be measured by the fact that it ignored ISL’s contract with the Department for Transport to run a further four pilot schemes in London and elsewhere.

9.15 This British Waterways reluctance to engage properly with the potential for freight transport is systemic. At the same time, BW also stopped a DfT funded initiative to transport salt on the river Weaver.

10. What steps should BW take to improve their performance on freight transport?

10.1 British Waterways must establish much more transparent relationships on freight, not just within the organisation and with the government (in particular DfT) but also with the potential freight operator from the outset. It is in everyone’s interests to know what the true position is with regard to freight traffic on a chosen waterway, and not to be carried away by the hype in some glossy BW freight brochure that pretends to be policy.

10.2 British Waterways must go after the freight traffic that involves least infrastructure development and cost. For example, where water depth is a problem, the emphasis should be on low density cargoes such as waste and recyclate; the barges will float higher in the water and transhipment will usually be easier and less costly. Higher density cargoes can come later, if and when the market starts to prove itself and the cost/benefit balance can be established for all stakeholders.

10.3 British Waterways must work much more co-operatively with the small and medium sized (SME) companies who wish to develop a business in freight transport on the waterway system. At present BW like to work with large companies, without realising that waterway transport is most unlikely ever to be “core business” for those companies. An SME, on the other hand, developing its core business around water freight projects will be absolutely committed to getting it right at minimum cost.

10.4 British Waterways must develop a proper strategy for freight transport, reflecting the very real financial benefits that water transport can confer on road and rail based operations—in other words, it must turn round and be “customer facing”. The BW chairman made it clear in his recent evidence to the committee that such a strategy does not exist when he said “The fact at the moment is we spend a million,
we get half a million, there are very few movements, the amount of tonnage is going down—why is that? Because the market does not want to use it. We could have more wharves but what would be the point of them at the moment?”. This is not the statement of a chairman anxious to bring sustainable freight transport to the British Waterways network, or even familiar with policies such as the successful Safeguarded Wharves scheme which have helped to contribute to a large increase in Thames freight traffic.

10.5 The potential for freight on the waterway network is there and facilitating waterway transport is a key British Waterways responsibility. This should be reflected by a true commitment, from director level downwards, to implement Government policy. “We don’t do freight” is not an acceptable comment from a BW director to staff and indicates an attitude that must change and must be seen to have changed.

10.6 British Waterways should appoint a director whose sole responsibility is the development of freight transport on the waterways. This director should have a small team, made up in part of experienced road freight managers, whose brief is to work with the private sector to develop working low-cost freight transport systems (such as those in Hackney and on the River Weaver) rather than yesterday’s headline grabbing, investment hungry and ill-thought projects.

10.7 The potential for waste transport outlined in Section 9 above for London exists in several of Britain’s major cities, including Birmingham, Edinburgh, Glasgow, Leeds, Sheffield, Nottingham, Stoke on Trent and Gloucester. Waste transport is just one example where a different approach to the problem could yield spectacular results. British Waterways must grasp this nettle.

10.8 This is an opportunity which in many places is unique to British Waterways. The rail industry will confirm, as the stakeholder quote in para. 7.8 of this document implies, that rail is a working option for waste transport out of London, but it is not an option for such transport within London. The same applies to other cities listed in 10.7 above. Sustainable waste transport on the waterways has never had such a good market opportunity.

Nicholas MacWhirter
March 2007

APPENDIX 1
The Hackney Waste by Water Pilot Scheme
Full report may be found at www.hackneywastebywater.com

APPENDIX 2
The River Weaver Salt Transport Project
Full report may be found at http://www.britishwaterways-squanderingourinheritance.com/transport-article.php?articleNo=2&news_id=45

APPENDIX 3
Part of a Response by the Council and committee members of the Inland Waterway Association to a DEFRA Consultation Document in July 2004
Full text may be found at www.waterways.org.uk/Library/ConsultationResponses/main_content/defra_bw.pdf

APPENDIX 4
British Waterways’ Strategy on Freight on the London Canal Network
Included as Appendices to Proof of Evidence at a recent Inquiry into a proposed British Waterways housing development at Brentford

Memorandum submitted by Richard Clements, Managing Director, English Holiday Cruises Ltd (BW 61)

PERSONAL BACKGROUND

My family bought English holiday Cruises Ltd. We operate the two biggest Riverboat Hotels in the UK, MVs Oliver Cromwell and Edward Elgar. We offer full-board holiday cruises along the River Severn Navigation out of Gloucester. The business is quite unique in the UK but is similar to the river cruise operations on the major waterways in Europe. We bring in around 2,500 holidaymakers to Gloucestershire every year from all over the country. The PR and financial benefits for Gloucester and British Waterways

14 Not printed.
15 Not printed.
16 Not printed.
17 Not printed.
here are substantial. Our passengers will spend close to £1 million this year on their holidays with us, including their direct spending in local shops and hotels. The benefit of this to local suppliers, employees and service industry is locally significant.

**ISSUES RAISED**

1. Our business relies on the local waterway for its success. The DEFRA funding cuts to British Waterways threaten the continued safety and economic viability for our business because they threaten the continued smooth operation of lock and bridge structures; the safe management of other river users; the erection and maintenance of adequate signage and information systems; the removal of obstructive vegetation from sightlines along the navigation; and most importantly, the maintenance of an adequate depth and width of safe water along the navigation for our large vessels.

2. We enjoy a constructive relationship with the local management and staff in British Waterways. They are familiar with our requirements and help us to run our day-to-day operations efficiently. However, some incidents of insufficient maintenance of the infrastructure along the Severn Navigation have begun to appear. Local management blame “budget constraints” for these incidents. We are concerned that this portends a remorseless deterioration in the operating environment of our business.

3. Our most significant specific issue relates to the impact of funding cuts on the stretch of the River Severn north of Gloucester known as the “Partings”, which form the main gateway to our cruise routes. This stretch is prone to silting up and regular (expensive) dredging is necessary to maintain an adequate depth for our safe navigation. According to the Transport Act of 1968 the British Waterways “Board” was required to “maintain the cruising waterways in a suitable condition for use by cruising craft, that is to say, vessels constructed or adapted for the carriage of passengers and driven by mechanical power”. The Act goes on to say that this requirement was limited to vessels of the same or smaller size as were operating in 1968. At that time local vessels were up to 140ft long x 22ft wide x 8ft deep. This implies that a water depth of 10ft should be maintained. Our larger vessel, at 138ft x 22ft x 5’6”, draws less. We only need a water depth of 8ft. We checked with British Waterways when we acquired this business in 2004 whether this depth would be maintained. However, we are now told that British Waterways will merely “aim to provide six feet of water between Gloucester and Worcester” (letter from BW Technical Director, 7 February, 2007). This deteriorating outlook is no doubt another result of the DEFRA budget cuts. If we only have a depth of 6ft, we will not be able to cruise that waterway safely at any time and on many occasions, when the prevailing river levels are low, we may not be able to cruise at all. If that happens we will most likely have to close our business down, we will lose almost all of our own money (which is tied up in the business) and Gloucestershire will lose the economic benefits we bring in.

4. There is very strong and growing demand for our products. We have already grown volume by 50% over two seasons. If we were assured of a regular dredging programme for the Partings and a return to the standards of service from British Waterways which we originally experienced, we could expand our business by acquiring more vessels with confidence and could expect to double our volumes again over the next two years.

*Richard Clements, Managing Director*  
English Holiday Cruises Ltd  
*March 2007*

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Memorandum submitted by Cathy Cooke and Dr Geraint Coles (BW 67)

1. The Chesterfield Canal Partnership recognises the positive role that BW has taken in developing and delivering the priorities of the Partnership where they are aligned to BWs core business.

2. It is to BWs credit that restoration of the sections in BWs ownership has been achieved. BW has looked to Local Authority partners to meet the costs of new waterway management. This has had an immediate effect on authorities’ ability to finance their core contribution to the further development of the canal. Business development by BW that brings regeneration and justifies the restoration cost, will raise income with which to manage such new lengths, but financial constraints within BW appear to prohibit this except in high profile urban settings.

3. Concerns about the long term responsibility for upkeep and repair can jeopardise the securing of external funds and dampen enthusiasm for canal restoration. The contribution of canals to navigation, conservation and tourism is widely acknowledged. Inland waterways can also be a considerable asset to social inclusion and economic and cultural regeneration, and can contribute to the creation of healthier, safer, sustainable communities. By developing the network’s role in meeting these wider agendas, BW would facilitate the expenditure of public sector funds to maintain the waterway infrastructure.

4. The Chesterfield Canal Partnership is exploring alternative mechanisms for funding the management of the canal network. The feasibility is being explored of further developing the capacity of the voluntary sector, and of setting up businesses that will reinvest in the canal and its communities as social enterprises.
With land capital assets being secured at the restoration phase, development of businesses will generate income with which to manage the canal for the long term. This model mirrors BW’s entrepreneurial use of its property assets, whilst retaining the benefit locally and being responsive to local need and opportunity. BW could offer much expertise to this process and assist its partners in managing the network without assuming liabilities or draining the public purse. BW resources to support this growth of social enterprises would reflect the government’s endeavours to promote community empowerment and ownership.

5. To that end we would urge BW to consider the third sector as more than free labour—we would like to see BW engagement with local communities to enable them to develop waterside locations and, if necessary, long term lease or asset locked sale to communities of key land parcels to enable them to develop their own facilities and gain benefit from the ongoing waterways renaissance. The perception (whether deserved or not) that BW is only focussed on securing significant deals with the largest companies is damaging to local interests who have enthusiasm, capability and time but little in the way of capital or formal training.

6. We would argue that the maintenance and development of the waterways, especially the underused waterways of the north east, requires more than the current rather top-down strategy employed by British Waterways. Considerable investment is being made in community development and economic regeneration in those areas where canals are currently underdeveloped and we would suggest that BW would benefit from engaging fully with this new regeneration framework—working from the bottom up as well as the top down.

BACKGROUND AND EXPERIENCE

Cathy Cooke: Member of Technical Officers Group of Chesterfield Canal Partnership for the last 10 years, navigation manager of Derbyshire County Council section of Chesterfield Canal 1996–2003, appointed Member of Inland Waterways Advisory Committee (IWAC, formerly IWAAC).


The Chesterfield Canal Partnership is made up of local authorities, statutory and non-statutory bodies, the voluntary sector and private enterprise, and is fully committed to the protection, restoration and development of the Chesterfield Canal. All members share the belief that the canal constitutes a major natural history and heritage feature, with the potential to significantly enhance the recreational, tourism and business life of the region. The Partnership works to protect and enhance the natural history and historic value of the canal, whilst promoting the development of its business and amenity potential to benefit all sectors of the regional community.

Cathy Cooke and Dr Geraint Coles

March 2007

Witnesses: Mr Nicholas MacWhirter, Mr Richard Clements, and Ms Cathy Cooke, Specialist/Industry Interests, gave evidence.

Q381 Chairman: Welcome to our three final witnesses, Nicholas MacWhirter, Richard Clements and Cathy Cooke. It is nice to have a lady, particularly as I am always assured that women are a very important part of the fabric of the waterways. You know the format, we will get on as quickly as possible. If you could try to keep your remarks to as close to five minutes as possible, starting with Nicholas.

Mr MacWhirter: Good afternoon. My name is Nicholas MacWhirter. I am a small ship designer and consultant. I have designed tugs and barges for waste transport on various UK waterways and worked with German and Dutch ship and barge owners developing intermodal transport on the Rhine and the North Sea. I am also co-ordinator of the British Waterways Action Forum. My company, ISL, initiated and ran a pilot scheme in Hackney in 2003 and 2004 to examine the viability of a new system for collecting waste and transporting it by water. I would like to explain the potential that I see for freight transport on the waterways and why BW's response to this is hopelessly inadequate. Water freight used to be big business. In 1905 a survey put freight traffic on the waterways at 34.1 million tonnes. In Birmingham alone that year over seven million tonnes were carried by water. So what happened, why did water freight dry up? Principally it was the development of the roads that killed it or, more particularly, the need to double-handle cargoes to transfer them on to a truck to complete the delivery. Mr Schlegel was right in his evidence when he said: “if double- handling comes into it at any stage it becomes a problem and the economics kill it”. So what has changed? They have been working on this problem with regard to rail transfer for years on the continent and have developed systems that remove the requirement for cranes. The container goes straight from the road vehicle on to a turntable on a rail wagon, as shown in photo A in the Appendix, page two. Photo B on page two shows
this principle in Thurgau, Switzerland. These are waste containers being transferred directly from MMRCV dustcarts to rail wagons. No transfer station, no cranes, just a rail line by a car park. The system is operated by the dustcart driver, takes less than five minutes and the costs are minimal. This form of transfer in Thurgau saves 600,000 road kilometres per year, reduces the number of dustcarts from 17 to nine, improves the environment and reduces waste collection and transport costs. Amongst many other places, this system is used for the whole of Barcelona. Can this principle be applied to water transport? Photo A on page three shows that is exactly what we achieved in Hackney: direct transfer from the MMRCV dustcart to a specially designed barge. It takes about three minutes, it is done by the dustcart driver, there is no transfer station and no cranes, just a concrete hardstanding next to the water. The container comes off the barge in exactly the same way at the other end of the journey. Double-handling does not exist and costs are minimal. This government-assisted project required a new barge design to work with the two MMRCVs we used, a Dutch unit in 2003 and a German one in 2004. The same principle was used to transfer the containers from hook-lift type vehicles, of which there are thousands in daily use in London. That is photo B on page three. What difference does this make? The commercial viability of barge transport changes completely. Transfer costs are removed and the dustcarts operate much more efficiently because the full waste container can be swapped for an empty unit at the barge within minutes of the collection beat. Previously in Hackney the dustcarts were making two journeys a day taking anything up to two and a half hours to deliver and dispose of their waste at Edmonton. The Hackney report indicated 60,000 road miles could be saved per year with the dustcart reduced from 25 to 12 vehicles and capital and operating costs for waste transport reduced by 23 per cent and 33 per cent respectively.

Dustcarts, by the way, cost over £100,000 each. The system is operated by the dustcart driver, takes about three minutes, it is done by the dustcart driver, there is no transfer station and no cranes, just a concrete hardstanding next to the water. The container comes off the barge in exactly the same way at the other end of the journey. Double-handling does not exist and costs are minimal. This government-assisted project required a new barge design to work with the two MMRCVs we used, a Dutch unit in 2003 and a German one in 2004. The same principle was used to transfer the containers from hook-lift type vehicles, of which there are thousands in daily use in London. That is photo B on page three. What difference does this make? The commercial viability of barge transport changes completely. Transfer costs are removed and the dustcarts operate much more efficiently because the full waste container can be swapped for an empty unit at the barge within minutes of the collection beat. Previously in Hackney the dustcarts were making two journeys a day taking anything up to two and a half hours to deliver and dispose of their waste at Edmonton. The Hackney report indicated 60,000 road miles could be saved per year with the dustcart reduced from 25 to 12 vehicles and capital and operating costs for waste transport reduced by 23 per cent and 33 per cent respectively. Dustcarts, by the way, cost over £100,000 each. The photos on page four show how the same principle is also used on the continent to transfer containers carrying anything directly from road to rail. It follows that the Hackney principle can move those same containers from road to barge for transport into and out of cities at lower cost than by road and with less environmental impact. So what has happened to this project? Hackney was the first of five pilot schemes we had contracted with the Department for Transport but on its completion BW organised a meeting from which ISL was specifically excluded. At the meeting Hackney were told how the project was going to develop — Transport for London was taking over. Bear in mind that at no point during the summer in 2003 and 2004 did anyone from either BW or TfL ever turn up to watch the pilot and neither has ever asked a single question about its operation. We were offered a minor role and that we refused because we knew, and said, that the plans were not properly considered. TfL then placed a development contract with the German company who had provided the second 2004 vehicle. TfL had never seen the first 2003 vehicle, never realised that there was a fundamental difference between the two. The container could only be transferred to the ground or to the lifting deck on the barge. We had recommended via the pilot report that the second vehicle be developed because it was a rear-loader, more appropriate to the London environment than the 2003 side-loader. In taking over the project TfL did not ask how the second vehicle should be modified and would not listen when we pointed out to both BW and TfL that mistakes were being made. That new vehicle is now in London. It does not have this capability. The container can only be transferred to rail, wagon or barge by crane, similar to the ones you see in photos A and B in the Appendix, page one. TfL’s own estimate is that loading sites will cost up to £2 million each to set up and crane operations on each will cost £200,000 a year, that is £400,000 a year including both ends of the journey just to transfer the containers. Remember it cost nothing in the Hackney pilot. TfL and BW may also have realised that the crane will not be able to load the standard roll-on type containers aboard barges as we did in Hackney. That is photo B on page three. There are thousands of these in daily use in London. So most of Mr Schlegel’s double-handling has been brought back into the project, the potential market has been reduced and, quite apart from the £2 million costs, that is at least £400,000 per loading site that BW could have been charging for licences to transfer waste to barges, licences that councils would be happy to pay as they would be reducing their waste collection charges and realising their commitments to sustainable waste transport. TfL have recently stated that the MMRCV project is: “probably the biggest single project to reduce London’s CO2 impact”. On that point we are agreed, but the way they are doing it will be at enormous additional cost to the taxpayer and certainly with none to spare for BW to license the loading sites. Throughout the Hackney pilot, we found BW staff at middle management level and below very helpful, however the single greatest obstacle to progress was BW staff at senior level; it became abundantly clear that the project was not welcome. We were not alone. At the same time a government-assisted project to transport salt from the River Weaver was stopped by BW. Finally, Chairman, talk to most of the remaining barge operators on BW waterways and you will find that they too feel that they are not wanted. Thank you.

Q382 Chairman: Thank you very much. Mr Clements?
Mr Clements: Good afternoon. My company, English Holiday Cruises, operates the two biggest river boat hotels in the UK. I believe that you have
just taken a trip down the river and back and you
will have seen the two large vessels moored up on
the side just getting ready for our new season. We
run along the Severn navigation between Sharpness
and all the way up to Stourport. We bring into this
region, Gloucestershire and Worcestershire, 2,500
holidaymakers every year. Those holidaymakers spend
almost £1 million on their holidays with us and
in local shops, tourist attractions and hotels. I
believe the benefit of this business to the local
community is significant. I would like to add that
my family and I sold our home three years ago to
buy this business, so our livelihood is completely
dependent upon it. We rely on the waterways for
our success. If I may be allowed an analogy with the
railways, we are akin to South West Trains
relying on Network Rail to keep Paddington
Station open and all the lines running and properly
signalled. The Defra cuts, as far as I can tell, are
threatening the smooth operation of the locks and
bridges along the navigation, the safe management
of other river users, which we require for us to
operate safely, the erection and maintenance of
adequate signage, clearance of vegetation and a
whole lot of other things but, most important of
all, we require an adequate depth to be maintained
in the navigation because our vessels are so large.
This is the main concern that I have about the
impact of the Defra funding cuts. I should say,
before going into detail on that, that I enjoy a
constructive relationship with the local
management and staff in British Waterways. Our
office is in the same building as their regional
management is based. I do detect that over the last
six months there has been a deterioration in the
support they are able to provide, not because of
any lack of enthusiasm but more lack of funding.
Coming back to our most significant specific issue,
it relates to the impact of the funding cuts on the
stretch of the river north of Gloucester called the
Partings. They form the main gateway to our cruise
routes. It is the main line, if you like, out of our
Paddington Station. This water is prone to silting
up and regular dredging is required to stop it
getting blocked. According to the Transport Act
1968 the depths of commercial waterways like this
to be maintained. Our vessels require eight feet to
navigate safely and before we bought the business
three years ago we checked with British Waterways
as to whether that depth would be maintained.
They assured us that it would and they anticipated
freight operations that they would be dredging for
to maintain it at eight feet. However, following the
Defra funding cuts recently they have had to reduce
their dredging expenditure from £350,000 to
£100,000 a year, and that means only six feet, and
my ability to get through is prejudiced. If the water
is low because there has not been very much rain
I will not be able to get through at all so we will
have to close the business, there is no doubt about
that, unless something is done about this situation.
I should add—I think it has been referred to
already—that the same problem is contributing to
the delay of freight transport and gravel carrying
operations down the river by the company run by
my predecessor at English Holiday Cruises. Mr
Thompson. There is a very strong and growing
demand for our products. We have grown in
volume in the last two years by 50 per cent. We are
already 96 per cent full for this coming season
before the season has even started. 60 per cent of
next year’s capacity is also booked. As you can tell,
we would like to buy more vessels and invest in this
business further but there is no way we are going
to do so unless we are confident that the Partings
are going to be kept open and that BW is able to
maintain the waterways well enough for us to
operate. Thank you very much.

Q383 Chairman: Ms Cooke?
Ms Cooke: I am Derbyshire County Council’s
officer representative on the Chesterfield Canal
Partnership. I am also responsible for managing the
navigation of the Chesterfield Canal that belongs
to the County Council and I am an appointed
member of the Inland Waterways Advisory
Council, although in my evidence today I represent
Chesterfield Canal Partnership. The Partnership is
made up of local authorities, statutory and non-
statutory bodies, voluntary sector and private
enterprise. British Waterways are one of those
members of the Partnership, although I have to
stress that this is not a partnership led by British
Waterways, they are just one member of the
Partnership. My evidence today is offered jointly by
myself and Dr Geraint Coles. The first panel shared
some mirth about partnership officers and how they
might survive, and I have an alive and kicking real
exhibit here. I would like to put forward the view
that partnership working for canal restoration and
management need not be too difficult, it need not
be a disaster if partners behave towards each other
in the way that we would all desire. I would like to
add some clarity to my evidence in just mentioning
that under IWAAC’s Restoration Projects Report,
recently published, Chesterfield Canal Partnership
was described as “in many ways a model
restoration project” and we have recently won the
partnership category in BURA’s Waterways
Renaissance Award. The bulk of my submission
relates to the relationship between British
Waterways, local authorities and communities, and
I stress particularly communities and community-
led regeneration, not the major urban centre
regeneration for which BW is so well acclaimed but
more the development of those communities both
in suburban and rural locations that depend on
their waterways. The Chesterfield Canal
Partnership recognises the positive role that BW
has taken where its core business relates to the
priority of the Partnership, but there are a number
of ways in which we feel BW could have contributed
effort, time, skills and capacity where they did not feel they were able to do so.
I would like it to be clearly known that I do not want
to reflect poorly on any of the individual BW
officers, simply on what their instructions seemed
to relate to. It is to BW’s credit that their sections
of ownership on the Chesterfield Canal have seen a
fantastic and impressive heritage restoration. They
have worked closely with their local authority partners in this and have looked very strongly towards their local authority partners to meet the costs of the improved waterway management. This has had an immediate effect on the ability of those authorities to core finance the overarching work of the Partnership itself, which has also triggered insecurity and uncertainty amongst other funding partners. There are ways in which BW could have raised income, as they have said they intend to do, on generating activity which could fund canal management but it appears that their financial constraints and priorities elsewhere have not enabled this to happen yet. Concern about the long-term responsibility for upkeep and repair can obviously jeopardise enthusiasm for future restoration, even where future restoration might generate far greater economic benefits both to BW and also regeneration benefits to local communities. The contribution of canals to tourism development is widely acknowledged now but they can also be a considerable asset to social inclusion, economic and cultural regeneration, and can deliver local authority agendas and other public sector partner agendas towards healthier, safer and sustainable communities. They can be a facility for sustainable development. If British Waterways were able to engage more fully with local authorities and other public sector partners they would be far better placed to be seeking and achieving public sector funds to help support the waterway infrastructure. In recognising the difficulties of future funding of canal maintenance Chesterfield Canal Partnership is exploring the capacity of the voluntary sector and the third sector through social enterprise to set up businesses that will actually reinvest in the canal network and enable communities to build their own capacity and become stronger, more able and more enterprising.

In order to do this local communities require land capital assets to be achieved and secured even at the restoration phase or from those who actually hold them, which is very often BW. The model that we are advocating closely mirrors BW's entrepreneurial use of property assets but is really more concerned with keeping the benefits local and being responsive to local need and opportunity. BW could offer much expertise to local partnerships and to local communities, it could work more closely with the Development Trust Association, with Rural Development Agencies, and it could help to set up community interest companies where the sites that it is involved with are not meeting its own core needs but meet those of the local community. I think it is time that British Waterways considered the third sector and voluntary societies as more than free labour or add-ons. We wish that they would work more closely with local communities to develop waterside locations, possibly through long-term lease or asset locked sale to communities of key land parcels. We feel that British Waterways are very closely focused on securing very significant financial deals with the largest companies. We feel also that BW need to work with those agencies particularly in the less economically affluent areas within the country, those regions of high deprivation, to work with the economic regeneration interests there in order to build capacity and business. There are sections of our waterway network in the north east and East Midlands which are hugely under-developed compared with the west and the south and for which great benefit could be made both to British Waterways and local communities if they would engage more fully with this new regeneration framework.

Q384 Chairman: Thank you very much. If I could just start with the first question. Do you feel that you are outside of BW's core business? There is an issue about what we mean by BW's core business in the sense that they have got two now, one is to run the 2,000 or so miles of the network and the other is to develop property. It sounds from what you have been saying that you do not fit neatly into either of those. Do you feel that this is a weakness in the way in which you work with BW? Mr Clements?

Mr Clements: I work directly with them as far as maintenance of the water is concerned. For my holiday operations I work with them every day, I am in touch with their people every day. As far as that core responsibility and core competence is concerned, I have no issues. On the other side, the fact that they are charged with the responsibility of developing property I have personal views on but it does not impact on my business directly at all.

Mr MacWhirter: BW do not consider freight transport as being part of their core business and I would further say that I do not think they could ever see the potential as being part of their core business, so they have a great deal of difficulty relating to people in my sort of position.

Ms Cooke: BW appear to see being part of our Partnership as being relevant and important to them and yet the allocation of resource is minimal to this, I would suggest. Their interests have been in promoting their own success in achieving restoration of those sections which they own. They do have plans in place for further development work that would enable them to raise revenue to manage their own section of the waterway but I would suggest that beyond this we are not considered to be a priority.

Q385 Mr Jack: Can I first of all turn to Cathy Cooke. One of the things that has intrigued me is that British Waterways in having a whole series of waterfront development sites are in a way benefitting themselves and their commercial partners, but as somebody who represents a local authority perhaps you could explain to me if a local authority, in the normal argy-bargy over planning consent, seeks to gain something for the local community, a Section 106 Agreement normally results, and what I am not clear about is how such mechanisms operate in the context of BW going into partnership with local players, commercial developers to exploit canal side development. Who actually gets the gain?
Ms Cooke: I have to say that most of our experience of canal side development in partnership has not involved BW. Where BW have made a development, such as a marina development on the Chesterfield Canal, the gain has not gone to the local community on their property. The example that I would like to use of where the Partnership working for canal restoration and property development can gain for the local community is at Chesterfield Waterside, which is within the centre of Chesterfield town itself, where an extensive brownfield site is being developed by the local authority with external partners, with Chesterfield Canal Partnership working as an advisor, with the water space being key to this. The local authority’s role, and there is expertise within local authorities, I have to say, is crucial here because the property developers may want to reduce the level of public benefit. Chesterfield Canal Partnership is seeking not only to get benefit for canal maintenance within that space, within the 106 Agreement, but also within those rural areas where there is not likely to be a development that would raise that money. We see that the honey pot sites, the urban sites, must be raising money that can be used by the navigation managers in the rural areas otherwise there is no mechanism through which, and no waterway along which, the boats can get to the town.

Q386 Mr Jack: By the term “navigation manager”, in that context do you mean British Waterways?

Ms Cooke: In the specific context on that section of water, no.

Q387 Mr Jack: You have quite rightly pointed out that some of those resources could be used to maintain the waterway, but who is going to do the maintaining in the example you have given?

Ms Cooke: The original notion for the restoration of the Chesterfield Canal was that eventually it would all go to BW. They own the section that is currently connected to the main network and these are remote sections. Because of the deal that was struck between British Waterways and Rotherham, which has resulted in Rotherham feeling that it can no longer fund that core activity of the Partnership, we are exploring alternatives. Chesterfield Canal Partnership have taken some time to research the work that other independent navigation authorities have done to work out how they are funded, how they manage to keep their heads above water, do we have to go to BW or can we choose an alternative.

Q388 Mr Jack: So in general terms would you say to the Committee that this area of partnership working, the sharing and the use of gains, is an area that needs a lot of further work done on it to ensure that everybody can feel comfortable about the role that they are performing, their financial position within the partnership, the end game and the outcomes? Listening to what you have said, it sounds a bit gritty, a bit difficult to make the wheels go round.

Ms Cooke: I suggest that this is quite innovative and it is new territory for BW and it is also trying to break down the barriers between BW in one department within Government and public sector organisations where, as I know from working within a local authority, it is hard enough for education to talk to social services, to talk to environmental services. What we are trying to do is break down the barriers between all of these so that there can be local regeneration benefit.

Q389 Mr Jack: Mr Clements, you told us that your enterprise at the moment manages to put a very considerable sum of money into the local economy, but I presume as a user of the canal network you pay commercial user’s fees. Perhaps you could just develop this a little bit because, again, it is a question of who benefits. You described something that benefits the local community, that benefits your business and which in theory benefits British Waterways, but you almost suggested a reluctance on BW’s part to maintain the width or the cutting to enable you to have somewhere to operate your boats. Do you think British Waterways feel they are getting enough return out of this activity to say, “Yes, we ought to be doing more of this”, or does there need to be a more sophisticated model to recognise the community benefits that are resulting from your economic activity which should, therefore, influence central Government’s funding of British Waterways’ activities?

Mr Clements: Yes, I agree there should be a much more sophisticated way of British Waterways deciding what monies to allocate to that kind of activity. At the moment they have a great deal of different calls on their limited resources and it must be a very difficult job for them to decide exactly where they invest the funds they have got. Certainly in the case of this issue, the depth of the Partings, I am not the only one affected, there are other commercial operators, the gravel operation, which need at least the same depth as me and other large vessels on the Severn which regularly come down here to use Tommy Neilson’s dry-dock or go down to Sharpness. They will require these deeper cuts as well. Yes, in my opinion there should be a very much more sophisticated model by which BW can judge their investment decisions in maintaining the waterway.

Q390 Mr Jack: Finally, can I ask Mr MacWhirter, because you put forward a powerfully argued series of observations about the difficulties you have had in gaining recognition for what sounded like a very interesting and practical scheme for moving waste in and around the capital city. One of the questions is about who gains. Are we talking about a more efficient waste disposal system? Are we talking about something which has got a lot of environmental gain because we are moving waste by water and not by road? If so, how should we value that environmental gain and how should it influence the decisions that are being made as to which system to operate?
Mr MacWhirter: On the problem with regard to new freight starting I have enormous sympathy with British Waterways. The comment that has been made on many occasions is, “We dredge the canal. We spend hundreds of thousands of pounds for a service that might only run for a few months or might only run for a single voyage”. It seems to me there has to be something more in it for British Waterways. I like the idea of a carbon footprint tax, if you like. It seems to me the simplest way to connect that to the existing structure is, for example, through a waste transfer charge. Boroughs in London at the moment, right around the country in fact, have to pay to transfer waste. They do this at great cost through waste transfer stations. The mechanism that we were using was only one of several but it allowed you to get rid of those transport costs completely and it seemed to me that there was a sum of money that could be used in part for paying BW for the service.

Q391 Sir Peter Soulsby: I really want to pick up that point with Mr MacWhirter. From what you have described it does sound to me—I do not know how British Waterways would respond to the criticism—that there is not much in it for them to invest in freight, whether in those particular circumstances or more generally. Is it the case that while they have their present funding structure from Defra and so on there is never really going to be enough in it for them to do it and there might be the solution you suggest and the need for some re-examination of departmental responsibility? You are focusing on freight but it is certainly not one of Defra’s core responsibilities.

Mr MacWhirter: To be perfectly honest, it does seem to me that it makes little difference whether British Waterways, as far as freight is concerned, is within Defra or within the Department for Transport or elsewhere. It is how it is handled, the way the communication lines work. Freight has to be selected very carefully for waterways. It does seem to me to be slightly daft, to be honest, to be going for freight which is heavy because high density freight makes barges float low in the water and it means you have to dredge the canal. There are other cargoes which allow the barge to float much lighter on the water. On the River Lee we were not proposing that British Waterways should do any dredging of the canal and all of the costs at both ends would be covered by the boroughs and the disposal authorities, there would be very little in this for British Waterways in terms of investment.

Q392 Mr Williams: Mr Clements has told us about the consequences of not carrying on with the dredging to achieve sufficient clearance for his vessels, and I do not know enough about your business to know whether you could relocate anywhere else. Certainly as far as the Monmouthshire and Brecon Canal is concerned we have had two breaches there in the last ten years which must have had an effect on commercial companies operating higher and other facilities in that area. From your contact with other commercial users is this a real concern that the facilities they use for their businesses will no longer be available to them or dependable enough to continue operating?

Mr Clements: Yes, I do have certain experience of this. The answer to the first part of your question is we are trapped on the River Severn. The bigger vessel is so big that it cannot go through Worcester Bridge and we cannot go to sea either, so we are stuck here. The smaller vessel can go all the way up to Stourport but there are no other waterways we are able to go on other than the Severn, however there is plenty of business on the Severn. As I mentioned before, there are a number of other commercial users on the river whose operations are being compromised by a reduction in the maintenance that BW is able to undertake as a result of the funding cuts. This is not just other boat operators, as I mentioned before, that do pleasure cruising and hotel boating on this river, but it is also the associated businesses, the dry-docks, of which there are several along the waterway, their operations are also compromised because there is less usage of the waterway generally with the funding cuts. For example, as one way of conserving funds the local region has had to make a number of people redundant over the last six months and there are 31 fewer people working in BW South West now than there were six months ago. As a result of that reduction there have been an enormous number of programmes cut back which are affecting not just commercial users like me but the casual user, the pleasure boat user, who cannot go up and down the canal freely now because there are restricted hours for opening the bridges because there are not the staff available to man the bridges full-time. Yes, there are many other examples of these cuts affecting this whole area. As far as the rest of the country is concerned, I am a member of the BMF, the British Marine Federation, Association of Pleasure Craft Operators (Hotel Boat Section), on which there are a number of people who run somewhat smaller hotel boats than myself. So far there have been only grumbles about the apparent impact they are going to feel from Defra cuts, I am not able to quote specific examples, but there is generally concern about the degree to which their operations are going to be affected by there being less maintenance of the canals network.

Q393 Chairman: Cathy, do you want to conclude on that? I will ask you a question about one of the backdrops to our inquiry, which is until recently we have found it very difficult to engage with either the LGA or local government in particular. Do you think there is a gap in consciousness in many local authorities about the importance of waterways, even though many of them have important waterways going through their boundaries?

Ms Cooke: That gap in recognition is not something that I recognise from my own experience. I feel that local authorities do tend to be geography bound and a ribbon of water running through a number of local authorities might make it difficult for one to recognise the significance of something that is
happening in a neighbouring authority. We have had to overcome the challenges of breaking down boundaries, not just local authority but regional boundaries, and also boundaries between organisations and their interests in order to progress the work that we are doing. There are local authorities elsewhere that are managing canals and are wishing to engage with BW but I would suggest that there may be a disconnectedness and where one could place responsibility for that might be difficult to assess. Local authorities are working much, much more closely together on cross-cutting themes, on Local Area Agreements, through Local Strategic Partnerships, and my experience, which mirrors something that was said earlier, has been that BW are sadly lacking in all of those fora, even though there are a number of public, private and third sector organisations coming together. I feel it is up to BW as well as local authorities.

Chairman: Can I thank you all for your evidence. As I have said on two previous occasions, what has been said is said, it is on the record, but we are willing to take anything you may wish to slightly edit or add to your remarks. Thank you for coming the distances that you have come. It has been a very useful session and, as I said earlier, it will form part of the body of our evidence, it will be printed in full and give us ideas as to how we go about writing our report. Thank you very much. If you could now exit stage left we will ask the Waterways Trust to come and give the final session of evidence.

Memorandum submitted by The Waterways Trust (BW 39)

1. Role and Remit

The Waterways Trust is an independent charity established at the instigation of British Waterways (BW) in 1999. The role and remit of the Trust was endorsed by Government in the white paper, Waterways for Tomorrow 2000 (WfT).

WfT recognised that delivery of the Government’s objectives for the waterways would be assisted by a national waterway charity with:

— the freedoms of working outside the public sector, where necessary working as an enabler—a vehicle for finance and funding, holding assets and benefiting from favourable tax status (eg, Gift Aid);
— access to charitable funding for waterway projects; and
— capacity to champion waterways and to involve the wider community in waterway-based activity and fundraising.

The Trust has a UK-wide remit to help realise the educational, social, economic and environmental benefits of waterways for all sections of the community.

Our vision is to see Britain’s waterways supported, valued and enjoyed by all sections of the community.

2. Activities

The Waterways Trust works with others in three main areas:

2.1 Fundraising

The Trust raises up to £2 million per annum for waterway-based projects that enable people and communities to enjoy, and gain benefit from, their waterways. The main themes of the projects for which we raise funds are:

— Education and learning.
— Environment and conservation.
— Activity, health and recreation.
— Access, arts and community involvement.

2.2 Regeneration

Since 1999 The Waterways Trust, in partnership with BW, has enabled over £40 million of new investment in Britain’s waterways using the freedoms we have outside the public sector. We also work to bring together the complex partnerships that underpin waterway regeneration projects.
2.3 **The National Waterways Museum and Archive**

The Trust operates the National Waterways Museum and Archive based at three centres: Ellesmere Port, Gloucester Docks and Stoke Bruerne, Northamptonshire. They currently attract about 60,000 visitors a year, including over 10,000 education and learning visits.

The inland waterways collection, held by the National Waterways Museum, is Government-owned, vested with BW, under the 1968 Transport Act but managed on long-term loan by The Waterways Trust. The collection is Designated as nationally important by Government.

3. **Funding**

The Trust's activities are currently supported by a funding contract with BW worth £920,000 per annum. Of this, £465,000 supports the operating costs of the Museums and Archives, £235,000 supports the fundraising activity, and the balance of £220,000 contributes to central costs. The Trust has a turnover of £4.6 million per annum.

4. **Comments to the Enquiry**

The transformation of the waterways network over the last nine years has been a remarkable story and an undoubted policy success for Government. The Trust is pleased to have contributed to this success, working as a partner with BW on major regeneration projects, fundraising and the National Waterways Museum.

The Trust is concerned, therefore, that the funding changes for BW indicate an apparent retreat by Government from investment in the long-term maintenance of inland waterways. This will lead to a reduction in maintenance investment, increasing the risk of more serious structural failures and a vicious circle of declining confidence amongst investors and stakeholders. This must not be allowed to happen.

The focus of our comments to the Committee is the potential implications of the changes in the DEFRA funding for BW on the work of the Trust.

As noted above, the Trust receives substantial funding from BW to support its work.

In the long-term, the Trust intends to reduce its dependency on BW. We have made moves towards this end in recent years, but the Trust is likely to remain dependent on BW for its core revenue funding for the foreseeable future.

The changes in grant for BW announced by DEFRA may reduce the ability of BW to continue funding The Waterways Trust at current levels with major consequences for our work, particularly:

- Fundraising programmes.
- National Waterways Museum.

4.1 **Fundraising**

In the six years to 31 March 2006, the Trust raised £11.8 million to support waterway projects, general funds and investment in the National Waterways Museum. As part of this, we received cash donations from over 14,000 individuals in response to our appeals.

As a result of our work, many new people have been made aware of their local waterway, 600,000 have visited the National Waterways Museum and many thousands have been involved directly, taking active part in waterway projects, benefiting their community, their health, learning and general well-being.

The work we undertake is designed to complement the work of BW and other public sector waterway owners and operators and is not replicated by other organisations.

The fundraising work of the Trust is now established but needs continuing support to sustain it and develop further. An unintended consequence of the changes in funding to BW could be to put these programmes at risk should BW be unable to sustain their financial support.

4.2 **The National Waterways Museum**

Government policy on free museum entry has been a resounding success. A report produced by the London School of Economics in December 2006 noted that more people are visiting museums than attending Premiership football matches and free-to-enter museums are contributing £1.5 billion to the economy. According to the DCMS, there has been an 83% increase in total visits to formerly charging museums since admission charges were scrapped.

However, this policy has created an expectation in the mind of the public that all museums are free to enter. The National Waterways Museum has faced enormous pressures since free entry for nationally-funded museums was introduced. The Museum receives no Government funding and must charge for entry. Visitors to the Museum have declined sharply since the free entry policy was introduced in 2001.
The current funding of the Museum is unsustainable. The liabilities of managing the museums and managing the publicly-owned collections, outstrip their income earning potential. This is despite improved customer service and commercial performance, investment of nearly £5 million in improved galleries and interpretation, and several rounds of cost-cutting, efficiency savings and rigorous review.

We have approached Government, both DCMS and Museums Libraries and Archives Council (MLA), for assistance. An Independent Strategic Review, jointly commissioned with MLA in 2006, estimated that £1 million per annum is needed to put the Museum on a secure footing, and to deliver a new vision for a Museums without Walls reaching out on the waterway network. However, the first priority is for £450,000 per annum to enable us to offer free entry. This would double visitor numbers in two years and enable the Museum to grow and develop new revenue streams that would help stabilise the Museum finances.

DCMS recognises the strength of our case but to date has not provided new funding.

There is precedent for Government to intervene. In other cases, Government has acted to safeguard collections which face similar pressures. Notable examples are, the National Coal Mining Museum for England and the Peoples History Museum, both of which now enjoy Government funding, offer free entry and have seen their visitor numbers increase two-fold.

Faced with current and continuing pressures on their funding, which have resulted in 180 job losses, BW is unable to offer the new funding now urgently needed. Unless DCMS comes forward with assistance in the near future, the National Waterways Museum is at risk.

A background note on the National Waterways Museum is provided in Annex 1.

5. Conclusion

5.1 The changes in grant available to BW may reduce BW’s ability to sustain its funding to the Trust. This would damage the Trust’s fundraising programme and the benefits we can deliver in terms of:

— Education and learning.
— Environment and conservation.
— Activity, health and recreation.
— Access, arts and community involvement.

5.2 The costs of operating the National Waterways Museum and managing the publicly-owned collection and archive, outstrip their income earning potential. New revenue funding is urgently needed.

The first priority is for £450,000 per annum to enable us to offer free entry. This would double visitor numbers in two years providing access to many who are unable to pay and help stabilise the Museum finances.

The changes in grant available to BW mean that BW clearly cannot provide increased support and may have to cut future funding. This sharpens still further the need for the museums to be provided with new revenue funding from DCMS.

Annex 1

BACKGROUND NOTE ON THE NATIONAL WATERWAYS MUSEUM

The National Waterways Museum and Archive

The Trust operates the National Waterways Museum and Archive, which is based at three centres: Ellesmere Port, Gloucester Docks and Stoke Bruerne, Northamptonshire. They currently attract about 60,000 visitors a year, including over 10,000 education and learning visits.

The National Waterways Museum holds the inland waterways collection which is owned by Government, vested with British Waterways (BW) under the 1968 Transport Act but managed on long-term loan by The Waterways Trust.

Designated Collection

The inland waterways collection, which is held by the National Waterways Museum, is Designated a unique national asset of national and international importance by Government. The collection consists of 15,000 objects and 70,000 records dating from the beginning of canal building in the second half of the 18th century to the present day. The collection also includes representative international material and is the largest of its kind in the world.

The collection includes over 40 historic inland waterway craft and fragments of many more which demonstrate the range and technical development of vessels that have used the waterways since the mid-19th century, powered by horse, steam and fuel oil.
The archive has some 70,000 records dating from the mid-17th century, with some earlier material, including records for the creation, ownership, maintenance and use of some 2,000 miles of the nation’s inland waterways, plans, drawings, company accounts, personal work diaries, engineering surveys, photographs and audio-visual recordings.

The Story of Waterways and their Profound Influence on Life

In total, the inland waterways collection tells the story of the waterways and their profound influence on the development of the UK over 300 years. This is an important story, comparable in influence to rail, maritime history, and coal. Waterways were the first technological revolution after the horse and cart, and their development has influenced almost every aspect of life—socially, economically, technologically and environmentally, and continues to do so with the modern waterways renaissance.

Independent Strategic Review

During 2005, an independent strategic review of the waterways museums was jointly commissioned by the Trust and MLA.

New National Waterways Museum—a Museum without Walls

The review sets out a vision: the new National Waterways Museum, centred at the three sites. A key part of the vision is an extensive outreach programme that would make full use of historic boats, artefacts and records to interpret the story of the waterways to new audiences at honey pot sites across the 3,000 miles of waterway network.

The concept of a Museum without Walls would be an exemplar of modern practice, providing access to 10 million regular waterway users, and 30 million people who live within five miles of a canal.

This outward facing strategy will:

— interpret the story of waterways and their profound influence on social, technological, economic and environmental development over 300 years;
— highlight their modern role in sustainable regeneration;
— illustrate the links between historic and contemporary life and culture; and
— deliver on the Government’s social, educational, learning and economic priorities.

The total requirement for new revenue funding is estimated at £1 million per annum. This would enable free entry, doubling visitor numbers and provide for a major extension of outreach across the 3,000 miles of waterway network, and provide core funding to manage the collection.

The single most immediate requirement is for funding to enable free entry. This would cost £450,000 per annum and:

— enable a doubling of visitor numbers within two years;
— dramatically extend our reach to new audiences;
— open up education and learning opportunities;
— make proper use of, and access to the publicly-owned collection and archive; and
— enable the three museum sites to make a growing contribution to the local and regional tourism economy.

The Trust is in discussion with DCMS about how Government can assist in enabling delivery of this strategy. Despite a strong case for funding, the limited funds available means that no funding has been forthcoming.

The Waterways Trust

February 2007

Witnesses: Mr Roger Hanbury, Chief Executive, and Mr Alan Lutman, Director of Finance, The Waterways Trust, gave evidence.

Q394 Chairman: Welcome, gentlemen. We have met Roger throughout the day so he does not need any particular introduction to us but Alan Lutman, I know, is Director of Finance for the Trust. We have already taken the opportunity of a visit around the museum and certainly to talk to Roger about some of the funding difficulties. I do not want to rehearse some of that. What I would like to start by doing is looking at the issue of who might be able to help and certainly some of the issues to do with whether Defra in its present incarnation is the appropriate vehicle or we should be looking at a much more joined-up effort from Government, and indeed other public sector bodies, including local authorities. Perhaps Alan has a view on that or does Roger want to start off initially? Mr Hanbury: Perhaps I might start initially, Chairman. Thank you for your introduction. We were pleased to have the opportunity of showing you around this morning and also to show you that we
are not just a museum operator, although that is an important part of our work, we have got a wide remit including regeneration and raising funds for waterway projects, which in a good year amounts to about £2 million. The museum operation is our great preoccupation at the moment because it needs to be resolved and it is threatening in terms of its stability impact on the financial stability of the Trust. We see a mixed economy in the solution which might come forward. British Waterways already gives us half a million pounds in direct cash support plus free premises on this site and at Stoke Bruerne and we do not see them as being able to contribute any further, particularly in the circumstance where they have just had to shed 180 jobs and lose significant chunks of their current account grant income from Defra, and that clearly is going to be a long-term rather than a short-term trend as far as we can see. The solution we see is in doing everything we can to improve efficiency, and we have been doing that in a whole series of rounds of cuts over the last three to four years, improving our income generation, and we have made some big steps in that direction in raising the amount of income we get per head, up about 30 per cent in the last two or three years. The big issue for us is footfall, people coming through the door. In a market which is increasingly driven by free entry, and people expect museums to be free entry now, this is becoming a major issue for us because not only are many government funded museums free entry but also the local authority ones are increasingly free entry using the council tax to support that subsidy. We have to charge and are, therefore, in a declining visitor situation. Hence our campaign to target DCMS to ask them to support us over the last two and a half years which has produced a high level of interest but actually no cash yet. I guess we are probably in the critical phase of that campaign right now because the Comprehensive Spending Review may well determine the scope which is there for DCMS to help us. It is a mixed economy which we are after and seems very appropriate and is also paralleled in other areas of museum provision where there are many players contributing. Whether or not the local authority is going to be a significant player is perhaps more difficult. We have good relationships with all our local authorities, county and city in Gloucester, borough council and county in Ellesmere Port and, indeed, in Stoke Bruerne in Northamptonshire, but sadly their coffers seem to be bare. In some cases we get more than the mandatory rate rebate but it is not an awful lot more than that and the amounts of funding which they can contribute, faced with their own museum operations which are drawing huge amounts of subsidy, it seems to be difficult to see how they could make very much more in the way of an active contribution to our financial welfare.

Q395 Chairman: Alan, do you want to say something very briefly about the actual numbers and how difficult the current situation is, particularly with the museum, but overall trying to run the Waterways Trust which has a regeneration capability as well as, if you like, wanting to maintain the fabric of the history of the canals?

Mr Lutman: The finances of the Trust are fairly difficult and we have had a cumulative deficit for the last few years, although we have got that down from 181,000 in 2003 to about 46,000 currently. We are heavily dependent upon the British Waterways contract in our income, that is certainly true. The turnover of the Trust is about 4.6 million, of which the best part of a million of that is the contract from British Waterways.

Q396 Chairman: In terms of some of the fund raising that you are doing, to what extent do you feel that in the way you were set up and the implication that you are almost part of BW but not part of BW there is an invidiousness there which some might find difficult to get a grip on, but also you are in Gloucester—that is the place I know best—and after we get over this quite difficult period of the immediate regeneration there must be some opportunity for fund raising from the immediate local population but also to bring people in if you could perhaps get some serious investment into the Trust and into the museum. Is that not the case?

Mr Hanbury: There are several issues in there. One is our closeness to BW. We are de facto dependent on a substantial grant from British Waterways. We were set up with the endorsement of Government so we are, if you like, the establishment version of a charity, but we are here with freedoms outside the public sector to do things which would not otherwise happen, which is a very important facet of our constitution. We are not hidebound by Treasury policy, we can move to meet needs and make things happen which otherwise would not happen. That is certainly the history of our contribution in the last seven years, that we have been able to do that. The fund raising side now is a particular opportunity. British Waterways is under huge financial pressure itself and we are in a position where we can deliver some of their obligations towards social development, access education and community development, probably at a lower cost than they can. One of the outcomes of our current discussions with BW is that we are going to bid to them to see whether they will spend more with us on fund raising because we can fulfill some of their obligations at a lower cost than they could themselves. I think that is a real opportunity and it shows the intended partnership between a public sector organisation which is looking for greater flexibility and nimbleness from a charitable sector partner. Is there more scope for fund raising for museums, was that the gist of your question, Chairman?

Q397 Chairman: Yes. Once this development is completed what could you badge Gloucester as capable of doing which could bring some serious income in? I accept what you say about free entry, but if you get the punters in here what can you do with the punters not just in the museum but on this wonderful waterfront and along the canal side and so on and so forth?
Mr Hanbury: I think the future of the museum in Gloucester, and there are different strategies at each site, is to interpret the regenerated docks. The next ten years should be golden years but there are two or three difficult years to get through before we can really do that. The museum here should be interpreting Gloucester Docks, the destination, and it should not just be the museum, it needs to be the museum in the docks, it needs to provide activity, vibrancy, movement, colour and experience to people who want to come to Gloucester for a day out, and that is what we hope the market will be in the future. The boat trip which you took part in today is part of that and the idea is that we can shuttle people around different parts of the Docks and Canal site, explain it to them so there is an interpretation of each area and they can get a full interpretation and understanding of the dock site as a key part of where our future goes.

Q398 Mr Jack: Can you just explain in a little more detail, I gather since 2000 you have raised nearly £12 million, what are the main sources of funding for this?

Mr Hanbury: Quite a bit of Lottery. Let us just take them one by one. The Lottery has provided us with significant investment in museums. Probably over £3 million has gone into the museums in substantial Lottery grants. On the waterway regeneration programme we raised additional money from the Millennium Commission on the Ribble Link which amounts to several hundred thousand pounds. On the Anderton boat-lift we ran a public appeal which raised £400,000 and other fund raising, some of it was Lottery based, some of it was regeneration money, raising in total about £1 million. There are some quite chunky bits of Lottery funding and regeneration funding which have come through our books. We also have a programme to secure funding or raise funding from individual supporters and that has produced the best part of a million pounds in the last seven years. That is heavily dependent on initial set-up funding which British Waterways gave us to help develop that programme, but in the future we see the development of a supporters’ scheme as being a key part of what we do because we want to see a wider constituency of people with financial engagement in the waterways as well as practical engagement.

Q399 Mr Jack: In her evidence Cathy Cooke was talking about some of the inter-relationships that form locally based partnerships and I am intrigued because you mentioned an access to regeneration money and there are a number of routes—Regional Development Agencies, local authorities—through which monies like that can come. Do you see yourself in a sort of catalytic role, bringing together partners to achieve an objective, because the kind of projects you have just described are what I call the icing on the regeneration cake? In other words, if we come back, what is the core thing we want, it is the maintenance of a good canal network, but to enhance its value, to make it living heritage, you seem to be saying that your core task is raising the money to do that and if you do that then lots of other regenerative activity comes on the back of it. I suppose what I am grasping for is who ought to be in charge of this sort of regeneration effort because we have got local authorities, RDAs, a bit of British Waterways, we have got you and others. I am struggling to figure out who is in charge.

Mr Hanbury: In a world that sometimes seems to be dominated by a controlling mentality, I think waterways projects are one area where each of the players has a particular contribution to make. The point we made when we took you round the Cotswolds this morning was that 17 organisations want to support the scheme—local authorities, voluntary sector organisations, British Waterways, the RDA and special interest groups as well—and want to see the regeneration of the waterways happen because each of them is going to get some value out of it in terms of their own particular core remit. I believe in partnership and I think partnerships in waterway schemes are exemplars in terms of partnership. The Kennet and Avon Canal, which is a mature scheme, now completed and delivered very successfully over a generation, 30 years, has always been about people working together, about the six local authorities along its length joining together to talk about this strip of water which is common to all of them. The same thing applies in the Cotswolds where our partnership board has Gloucester County, Stroud District, Wiltshire County, North Wilts and Cotswold District Council representatives on there and they all turn up sending their own representatives to those meetings every quarter to find out what is going on and to contribute. I think the partnership model has to be right for waterways because they are so broad-based and offer so much. That is the excitement of it really, that out of a scheme you get environmental benefit, social benefit, economic benefit, and each of those organisations wants some or all of that.

Q400 Mr Jack: Nobody would disagree with any of that, and it is very worthy stuff and very good, but coming back to the core focus of what we are about, one of the things that worries me in what you have just said is you can have tremendous energy from people who have got the vision but unless British Waterways have got the hard cash to keep the core asset in good order or to develop it once a partnership has realised its vision, the whole thing does not happen. Is that a fair summary?

Mr Hanbury: I think it is very heavily dependent on British Waterways. They have got the expertise, financial clout and experience to deliver these things so, yes, they are a victim of their own success, everybody looks to them, and sometimes that means people do not come forward and say, “We will make a financial contribution or do a particular thing” because they are all standing back and saying, “Well, British Waterways look as though they have got plenty of money, why don’t they do it?” and of course the reality is different, the fact of the matter is they cannot fund these schemes off their network unless they are separately funded and sustainable,
Q401 David Lepper: I have two questions. On the issue of the museums, I was very impressed by what we were able to see briefly this afternoon but could you explain why it is necessary to have the museum and archive on three different sites?

Mr Hanbury: Well, the archive is actually on 15 different sites. You have seen half of the archive today in the roof of Llanthony Warehouse. There is a smaller archive in Ellesmere Port and the rest of it is in public record offices around the country. It is an accident of history that material has ended up there. A point we did not explain to you earlier was we have just completed a £600,000 project to catalogue the archive across all those sites into an Internet accessible catalogue, so it is a virtually unified archive but physically if you want to go and see it you may go to a number of destinations. That works well, technology gives us an answer. None of the holders of that archive material want to hand it back to a central repository even if anybody had the money or the wherewithal to make that happen. The history of the museums is that they came together in 1999 from three separate sources. Gloucester was set up in 1989 as part of the first phase of regeneration here, Ellesmere Port in 1975 as part of an enthusiast driven set-up and Stoke Bruerne goes back to 1964 owned by British Waterways. They have come together as a designated collection now which gives some access to funding, although that is now much smaller than when we first set it up. You have then got to look at each site and say why it is there. Each of the sites interprets a different part of the waterway story. In Gloucester Docks we have got a superb historic site on which to explain the value of the port and I am quite convinced, as many others are, that the dock development would be a much poorer place without a serious interpretation of what Gloucester Docks mean to Gloucester. If you were challenging the idea that we might leave, that presents a whole series of knock-on effects and certainly if Chris Oldershaw was here from the Urban Regeneration Company he would be saying how concerned he would be if the museum ceased to be here to provide a cultural heart to the dock regeneration. In Ellesmere Port we have a seven acre site which is a narrow canal port, a trans-shipment port, to a broad canal, again a superb historic site. It has a large collection of historic vessels and if we were to exit there, there is a whole series of issues about where you would put that historic fleet and how you could deal with a collection which is substantially publicly owned. Each of those sites present huge challenges as well as huge opportunities. Stoke Bruerne is a much smaller site, it is really an outlier, a satellite to the operation, it is not a cost to the business, and if we can keep it going as a centre, which is valued by people locally and regionally, then we should, but if it became a liability we would have to take another view.

Q402 Sir Peter Soulsby: Again, for the record, I was in fact the Vice-Chairman of the Trust when it was first established. Obviously it has moved on a long way since then and one of the things it has moved on to is the long-held aspiration to get the funding necessary to have free entry like other museums and to get the security that comes from that. I wonder how much progress there has been with that and what the response has been from DCMS to whom the approach was made.

Mr Hanbury: Just for the record, we launched our campaign formally in August 2004. We asked supporters to express their views to their local MPs, which they did I think in reasonable number to the extent that questions were raised in the Lords and then there was an Adjournment Debate in the Commons which produced a response from Estelle Morris who said she understood exactly what we were trying to achieve, she supported it entirely and was only disappointed that she could not provide us with any funding at that particular stage. Usefully, and encouragingly, she said that we should keep asking. She, of course, ceased to be the Culture Minister at the following election, which was her choice, not the electorates choice and certainly not our choice. Nonetheless, we took her advice and kept asking but also worked with the Museums, Libraries and Archives Council to commission an independent strategic review of our case which was run through 2005-06 which did indeed validate the case that it was not all made up by the Waterways Trust, it actually had some merit in the eyes of an independent assessor, and that report was presented to David Lammy about a year ago. It really set out not only the fact that the museums need some funding to sustain their position but also the huge potential which actually modest amounts of funding would unlock in terms of education and social inclusion, economic and regeneration activity around the three sites we operate. The conclusion of David Lammy’s consideration was that he could not help us at that stage either even though he listened very carefully and quite clearly understood what we were asking for and saw value in it. The position has tightened somewhat since then because the Comprehensive Spending Review has taken a grip but in November we launched the second phase of our campaign, this time focusing on free entry because in the interim Government had trumpeted very much, and quite rightly so, the success of its policy of free entry which had seen visitor numbers to free entry museums increase by over 70 per cent, some of them by 100 per cent and some of them by more than 100 per cent. Our trustees felt that we could not stop asking, we should get on with it and do that in a positive way, so our angle in terms of our public campaign is to say for a modest amount of funding we can deliver a huge amount for you, the Government, and we can safeguard a publicly owned collection which is owned by Government, not by us, vested in British Waterways and on long-term loan to us, and also put in place the desires and policy aspirations of Waterways for Tomorrow that endorsed our existence as a museum operator when that paper was written in 2000.
Q403 Sir Peter Soulsby: Have Defra been helping you press that case?

Mr Hanbury: Yes, they have been helping us. Alun Michael, when Waterways Minister, was a great champion of our cause and probably went beyond the call of duty in promoting our case to DCMS. All along it has been made clear to us that Defra did not feel that they had any funding they could contribute to this exercise but they would give us every assistance, one might say short of actual financial help. They have continued to take an interest in it. I guess in recent months the Defra interest has declined to the extent that we have not been able to meet the Minister and debate the issues with him. We had hoped to feel that it is a Defra issue anyway and in the circumstances Defra find themselves it would be a hard call to ask them to put any funding in.

Q404 Mr Jack: We have heard from the evidence of a number of people today about transparency of British Waterways, the relationships that it has with its customers, the relationships that it has with people with ideas who want to develop the waterway network. As a continuing interlocutor with BW, what is your assessment of that line of concern? Are they as open as they should be? Are they as co-operative as people would like them to be? How do you get on with them?

Mr Hanbury: British Waterways de facto are a huge supporter of our operations, they do give us nearly £1 million a year. I am pleased to say that in recent discussions we have made real progress in advancing our work with them to the extent that they are working with us as we try to find a solution to the museum’s funding and they are encouraging us to look at fund raising as a proposition which can see an expansion of our activity and ultimately help generate a greater contribution to our core costs. Those are two hugely important steps. If you like, the position in the short-term is more optimistic than our paper would have suggested in the sense that we were concerned about BW’s ability to contribute more to the museums. This year they are giving us inflation on our contract, which is more than we could have expected, frankly, in circumstances where they have had a huge tranche of cash taken out of them. What is important is that they continue to take an interest in the project of the restoration of these waterways and to see how further progress can be made. They have a 1:9 ratio of staff to volunteers, that is one member of paid staff to nine volunteers. That seems to me that waterways have got quite a long way to go before they get anywhere near that level of involvement. There are people out there who would like to do it but getting there is a huge management task. The safety culture needs to be right and that presents a huge barrier. Turning round the sector provides co-ordinators and managers to unlock that. Within the midst of that there are people like the Cotswold Canal Trust who, as you have heard today, are very, very professional in the way they are setting about the task, they are putting on training, they are making sure they have people who are working as paid employees, trained properly and able to do the job. That is an exemplar of how the sector should move forward but it needs a lot of management input to get there. We know that in the museums and in our own waterway projects where managing volunteers is a huge...
challenge where there is water and moving objects like locks and bridges and boats involved, that is a big challenge in terms of training and safety management.

Chairman: Gentlemen, again, thank you very much. That concludes the evidence. You have heard me say three times already but I will repeat it: what has been said cannot be unsaid. What you might like to have said may still be said in the form of further written evidence, although keep it brief because we have plenty of written evidence already. Can I particularly thank you for hosting us today, it has been a very pleasurable activity; getting us on water was always going to be a winner. We did use that period of time quite usefully and it was really helpful for those who do not know the area as well as I do to come up and see the regeneration that is going on alongside the canal and what potential that brings. I would also like to thank the audience who stuck it out with maybe less comfort breaks than Members of the Committee over the last nearly three hours. Without you it would not have been the same occasion. We like to get out and show that we are doing our business in as transparent a way as possible and it does make us feel it is worthwhile when people actually turn up to listen to us. You can always read the stuff, and no doubt you will read the stuff, in due course. It has been a very good session and I hope that we do similar things, if not here then in other places in the future. Thank you to our audience and obviously thank you to those who have made this possible, including our own Committee staff and the other people who have made the thing as worthwhile as it has been, including the witnesses because if you were not here we would have had a very quiet session even though I am sure we would have made good use of the time. Thank you.
Monday 23 April 2007

Members present

Mr David Drew, in the Chair

Mr Michael Jack
David Lepper
Sir Peter Soulsby
David Taylor

Memorandum submitted by the Parliamentary Waterways Group (BW 50)

PARLIAMENTARY WATERWAYS GROUP (PWG)

1. We are an All Party Parliamentary Group (APPG). Members are MPs and Peers and we are open to Associate Membership from any organisation or individual with an interest in Britain’s inland waterways. We meet five times a year for one hour. The Group focuses on issues of strategic importance to the waterways to raise awareness of these and identify and explore possible solutions.

2. The usual format of our meetings is for one or two guest speakers to address a topic which is then debated. Our speakers are usually Government ministers and chief officers of navigation authorities or other organisations of interest. It is open to the members to request particular speakers. We are a resource for MPs and Peers on waterway issues and are consulted from time to time. We also give advice to Associate Members on how to communicate effectively with Parliamentarians. We do not have the resources to undertake research. Our submission makes reference only to matters raised in our more recent meetings.

CURRENT USERS OF THE WATERWAYS NETWORK AND THEIR RELATIONSHIPS WITH BRITISH WATERWAYS

3. There is a vibrant body of voluntary user groups covering every conceivable waterway use, feature and location. Commercial interests are also well represented. This is evidenced not least by the large volume and high attendance of representative groups amongst our Associate Members.

4. Voluntary work in restoring and maintaining waterways is an integral part of the post war development and more recent renaissance of our waterways. There are numerous local and national forums recently enhanced by the procedures for consultation following “Improving Openness and Accountability”

THE FINANCIAL FRAMEWORK OF BRITISH WATERWAYS AND THE IMPACT OF CHANGES IN DEFRA’S BUDGET

5. Please refer to the Adjournment Debate “British waterways” on 6 December 2006 (Hansard Volume 454 column 112WH to 137 WH) http://www.publications.parliament.uk/pa/cm200607/cmhansrd/cm061206/hallindx/61206-x.htm which includes the key points and local detail from our Members.

6. The waterways British Waterways manages for the nation are a 200 year old transport system with industrial technology of that era. Maintaining this is essential and to some extent unpredictable despite the excellent surveying exercise undertaken in recent years and the substantial inroads made into the maintenance backlog. This is a national system with every component interdependent.

7. Expensive unforeseeable emergencies will occur as evidenced by the breach on the Brecon and Abergavenny canal on 17 January 2007.

8. Netherton Tunnel in the West Midlands—a key through route to ensure Birmingham and Black Country canals can be accessed and used, was to be closed for inspection and repair this winter. The funding cuts have led to this work being postponed. There are fears that when the inspection does take place, there may not be funds to carry out the necessary structural work. The towpath is closed to walkers and cyclists at present.

9. There is much concern that just one or two events could lead to the rapid deterioration of the network and the investment of recent years being wasted. Surface works such as towpath enhancement also require regular maintenance. MPs have expressed great concern about the impact on much loved, well used local amenities.

10. Without some sort of contingency reserve to draw on there are projects British Waterways cannot risk embarking on in case a prohibitively expensive engineering problem is discovered. The sensitivity to financial risk is greatly magnified by the funding cuts.

11. Members have already raised concerns about the lack of funding for our Waterways Museums—they are considered to not be supported in the way that other national collections generally are. Whilst museums are managed by The Waterways Trust (TWT), the Trust is in turn supported by BW in a number of ways.
12. The reduction in Defra’s funding to British Waterways may lead British Waterways to reduce or remove support to voluntary groups. Support such as professional assistance with grant applications or administrative and health and safety assistance at local events could go if BW staffing in such roles is cut. This could be seen as a breach of the public sector Compact with the third sector.

13. The much celebrated leverage that BW achieves with its urban and rural regeneration projects is lost if regeneration can no longer be supported as all funds have to be allocated to maintaining existing resources. Confidence lost in projects due to the funding threat could lead to large sums from investors being withdrawn completely.

14. There will be a temptation to opt for a short term property development profit rather than take a long term view of the waterway network and its assets to make good any shortfall.

15. There has been long standing concern about the process for assessment and decision making where there is a possible conflict between the preservation of heritage and new build development. The preservation of wharves and boat yards to ensure there is sufficient infrastructure for waterways to remain navigable by boats and welcoming to boats is a recurrent theme. Whilst boaters are far from the only or even main users of our waterways, they are an essential interpretive feature of the waterscape, much admired by other users and a source of all year round income to waterway businesses.

16. The waterways are a national leisure treasure and resource and in addition are a transport as well as leisure function for walkers and cyclists (41.3 million visits pa are journeys to get to somewhere else).

17. The Group often discusses freight and expresses concern that opportunities for waterbourne freight are not taken up. The group is currently particularly anxious that the opportunity is taken for a green Olympics with construction spoil from the Olympic site taken out by boat and material brought in by boat.

18. Our waterways are free at the point of use to most users. Anglers pay a rod licence and may pay a small local fee, boaters pay for a navigation licence and for moorings. Other users pay only via national taxation. The possibility of local authorities making a direct contribution is suggested fairly regularly. Some local authorities make a contribution to upgrading a waterway’s towpath and surroundings as one off projects, few make any on going commitment.

19. Waterways’ benefits and uses are cross departmental but few departments fully recognise this. The Group does invite Ministers from a number of departments to address us, partly to raise departmental awareness. Defra, DoT, DCMS and DCLG may be the most obvious but the role in Education, Health and Trade should not be overlooked. Even the Home Office should take an interest—Police run schemes encouraging young offenders to take up angling have been a great success.

Parliamentary Waterways Group

January 2007

Witnesses: Mr Bob Laxton MP, Chair, and Lynda Waltho MP, Treasurer, Parliamentary Waterways Group, gave evidence.

Q406 Chairman: Welcome, everyone. This is the latest and the last session we are taking on BW, unless we consider otherwise, and it is a delight to have two of our colleagues before us. We have Bob Laxton, who is the Chair of the Parliamentary Waterways Group, and Lynda Waltho, who is the Treasurer. If I could start, how much damage have the cuts caused? This is a group which were asking to give evidence to us and which is very active within Parliament. How much damage has this current situation caused and how much ill feeling is there out there?

Mr Laxton: What I would like to do, if I may, Chairman, is a little bit of scene setting. I have a fairly brief contribution to make, and then perhaps I could deal with that question. Can I first introduce my colleague, Lynda Waltho, who is the Treasurer of the all-party Waterways Group. She holds a seat
in Stourbridge which many of you will know is an historic canal centre, and has far more experience than I do with regard to the canal system around particularly Birmingham, commonly known as the BCN. I am the Chair of the all-party Waterways Group. To give you a very brief background, 40 or 45 years ago I owned my first narrow boat and I am the proud owner of one at the moment, with a rather classy vintage Gardiner engine in it. I have only been the Chair of the all-party Waterways Group for perhaps a couple of years but part of my background as well is I am also President of the Derby and Sandiacre Canal Trust which seeks to open Derby or Swarkestone through to the Erewash canal, so I have some experience of funding and those sort of issues. Just to give you a bit of background about the all-party Group, members of the Group are MPs and peers; we are open to associate membership from any organisation or an individual with an interest in Britain’s inland waterways. We meet round about five times a year for one hour and focus on the strategic importance of the waterways, and to raise awareness of these matters and identify and explore possible solutions. The usual format of our meetings is for one or two guest speakers to address a topic which is then debated. Our speakers are usually Government ministers and chief officers of navigation authorities or other organisations of interest, and it is open to the members to request particular speakers. We are a resource for MPs and peers on waterways issues, and a consultant from time to time, and we also give advice to associate members on how to communicate effectively with parliamentarians. We do not have the resource, however, to undertake a great deal of research, regrettably. Our submission makes reference only to matters raised in our more recent meetings, current users of the waterways network and their relationship with British Waterways. There is a vibrant, and I mean a vibrant, body of voluntary user groups covering every conceivable waterway use, feature and location, and commercial interests are also well represented, evidenced not least by the large volume and high attendance of representatives amongst our associate members. Voluntary work in restoring and maintaining waterways is an integral part of the post-war development and more recent renaissance of our waterways, and there are numerous local and national forums recently enhanced by the procedures for consultation following improving openness and accountability. On the financial framework of British Waterways, there is an urgent need for an enhanced framework. A national system with every component independent. I would have to say, despite the excellent surveying exercise undertaken in recent years and the substantial inroads made into the maintenance backlog. This is a national system with every component independent, I would have to say, because the facts are irrefutable, that certainly over the last 10 years the large injection of money from the Government into British Waterways and, of course, money as well coming from successful lottery bids has made a huge difference to the quality of the waterways network, and I can speak with some experience of that. Forty-five years ago, for example, staying in Gas Street Basin one would be surrounded by dead rats and dead dogs in an area of absolute abject decline, a really grotty place, and one goes back now to find that it is a hub in the centre of Birmingham, with all of the facilities and high quality surroundings. It is an absolute eye opener, it really is. Expensive unforeseeable emergencies will occur as evidenced by the breach on the Brecon & Abergavenny canal on 17 January this year. The Netherton tunnel, which Lynda may wish to talk about, in the West Midlands, which is a key route through to ensure Birmingham and the Black Country canals can be accessed and used, was to be closed for inspection and repair this winter and the funding cuts have led to this work being postponed. There are fears that when the inspection does take place there may not be funds to carry out the necessary structural work and the towpath is currently closed to walkers and cyclists at present. There is much concern that one or two events could lead to the rapid deterioration of the network and the investment of recent years being wasted. Surface work such as towpath enhancement also requires regular maintenance. MPs have expressed great concern about the impact on much loved and well used local amenities, and I have for the information of the Committee prepared the response that we have had back from a cross-section of MPs, both in a political and geographical sense, about their concerns that they have raised as a result of the reduction in grant aid to British Waterways. Members have also raised with us concerns about the lack of funding for our waterways museums. They are considered to be not supported in the way that other national collections generally are, and whilst museums are managed by the Waterways Trust, the Trust is in turn supported by British Waterways in a number of ways. The reduction in Defra’s funding to British Waterways may lead British Waterways to reduce or remove support to voluntary groups. Support such as professional assistance with grant applications or administrative and health and safety assistance at local events could go if British Waterways staffing in such roles is cut, and this could be seen as a breach of the public sector compact with the third sector. The much celebrated leverage that British Waterways achieves with its urban and rural regeneration projects is lost if regeneration can no longer be supported as all funds have to be allocated to maintaining existing resources. Confidence lost in projects due to the funding threat could lead to large sums from
investors being withdrawn completely, and there will be a temptation to opt for a short-term property development profit rather than take a long-term view of the waterways network and its assets to make good any shortfall, and that perhaps in part, Chairman, answers your earlier question, but only in part.

**Q408 Chairman:** Can you bring it to a speedy conclusion?

**Mr Laxton:** Yes. I was going to briefly talk about stewardship work and the commercial activities of British Waterways but I guess you have had that information already or are likely to obtain it from British Waterways. There is an issue about that, about how they handle their property portfolio and how that generates much needed income into British Waterways. There is an issue about the relationship between British Waterways and central Government departments, regional development agencies and local authorities. Again, 180 staff have gone from British Waterways, or are on the way to departing from British Waterways, and that is going to have an impact in terms of pairs of hands even who will have to deal with regional development agencies, local authorities and government departments. Can I finally say that the waterways benefits and uses are cross-departmental but few departments, it seems to the all-party Group, fully recognise this. The group, however, invites ministers from a number of departments, from Defra, the Department for Culture Media and Sport, and the DCLG may be the most obvious, but the role in education, health and trade should not be overlooked and even the Home Office should take an interest. For example, the police run schemes for young offenders to take up angling and these have been a great success, so it covers a whole plethora of government departments and our concern as the all-party Waterways Group is clearly what we have seen already as the cut in funding. Defra will argue, I guess, that it is going to be a fairly limited cut at this stage, but we have to put that against the context or the background of the Comprehensive Spending Review, and we have to take a view, and the all-party Group would certainly take the view, that there is a real danger that the lower level of funding received by British Waterways from Defra is going to be a lower base upon which any reduction in the Comprehensive Spending Review may impact, and therefore there is a real danger that we can start very quickly to see a downward spiral in the overall activities of British Waterways, and that will impact gradually in the overall activities of British Waterways. There is an issue about that, certain inevitability that will happen and consistently has happened over the past, and will create huge problems for the canal network and everyone who uses it and the millions of people who access it every year.

**Q409 Mr Jack:** In terms of looking for the future, what changes could be made, in your judgment, to British Waterways’ regulatory framework to secure some kind of long-term stability for the waterways network?

**Mr Laxton:** British Waterways would, on the one hand, say that they have been eminently successful, and they certainly have, in generating far more income than perhaps any of us would have expected from some of the development work that has taken place alongside the waterways. We all have the statistics. The valuation of property alongside water is generally 20% higher than property that is not alongside water, but quite frankly who would want to develop an area for housing, flats or apartments in a city centre if it was against the backdrop of quite a pleasant canal there at the present time, but which if the funding is not there is going to deteriorate and they are going to see less boat usage, and that opportunity would go? So I think British Waterways have been eminently successful, but if the message goes out that there are likely to be problems in terms of the overall funding package for the canals and the level of maintenance is not maintained then we could see that disappear fairly quickly.

**Q410 Mr Jack:** But have you given any thought to evaluating, for example, some kind of longer term arrangement that BW could negotiate with its sponsor department, Defra, and equally the current structure of British Waterways, because on the one hand it tries to combine the core activities of running a canal network with also being a property development company but with one arm strapped behind its back because it has no borrowing capability. Do we need to see some changes in the arrangement with the principal department and the core financial set-up to give it an ability to be more flexible in the long term?

**Lynda Waltho:** There certainly is a feeling within users of the canal system, and there has also been a suggestion, that the assets could become part of a trust arrangement with the whole of the assets effectively kept in trust for the future, so there are all sorts of suggestions that come forward from either commercial users or boaters or all the different groups. So there is a lot of goodwill there as well with these groups who want to make this work, but there is sometimes a feeling that their suggestions are not necessarily looked upon as being helpful.
Q411 Mr Jack: But do you as a group have a preferred alternative model or option that you want to put to the Committee?

Lynda Waltho: I do not know that we have a preferred option. We just know it does not work properly at the moment.

Mr Laxton: There has been an on-going debate in the all-party Waterways Group about whether it is appropriate to have Defra as the host department for British Waterways or whether it would be more relevant for it to, say, come under the Department for Transport, for example, or the Department for Communities and Local Government. The all-party Group has not reached a clear view on that, there is an on-going debate about it, and the argument goes simply something like this, that if they had been in another department they would not have to face the cuts they have as a result of being in Defra, and that is certainly true, and I am going to sit in afterwards and listen to the Minister and I am sure you will ask him that, and it will probably be more appropriate for him perhaps to take a view on that, but the all-party Waterways Group has not reached a view and the debate continues.

Q412 Sir Peter Soulsby: Obviously there has been discussion about whether Defra is the right department. Another line of discussion has been whether there is some way in which departments could together provide a degree of funding for British Waterways to cover the very wide range of output that obviously they deliver for other departments. Do you think that is something that is perhaps worthy of further development?

Mr Laxton: I think it is worthy of that but, as I say, the all-party Waterways Group has not taken a view. We have had discussions with ministers, we have had some discussions with Treasury ministers as well, and I think probably that could be an avenue as a means of bringing some revenue stream into British Waterways so that at least the network can be maintained as it is, and hopefully improved, and certainly to keep on board the development sector and the public sector and listen to the Minister and I am sure you will ask him that, and it will probably be more appropriate for him perhaps to take a view on that, but the all-party Waterways Group has not reached a view and the debate continues.

Q413 David Taylor: In the submission from the Parliamentary Waterways Group you talk about contingency reserve, and in your earlier comments you mentioned the difficulties of a 200 year old network sometimes with essential but unforeseeable and unpredictable costs associated with the work that needs to be done. Why do you think a contingency reserve might tackle that? It would need to be a very large sum, and the Government is not too likely to come up with that, is it?

Mr Laxton: I did not specifically, with respect, David, make reference to a contingency reserve. I think the real problem British Waterways have is they do not hold a big pile of money sitting earning interest in a pot that they can draw down, say, for the Netherton tunnel, where there are old mine works underneath, the floor of the tunnel is coming up closer to the roof, the level of water in the tunnel is reducing, it could be a major job, what is that going to cost, is it safe, they have closed the cycleways and the towpath, boats are still going through, they are still doing an assessment of the costs which could be 100,000, a million, several million, so where do they find that money from? They do not have a contingency.

Q414 David Taylor: But how would they find that? Are you asking the Minister to give a blank cheque?

Mr Laxton: No. I am saying the situation is that British Waterways do not have that sort of contingency reserve to deal with unforeseen problems, a big breach of a canal that costs hundreds of thousands to repair which hits them out of the wide blue yonder. They have to find that from within their existing resources; they cannot programme the work and say they will do it over the next two or three years; they have to do it immediately and find that money, and it is a choice. Maybe one of the choices might be with the Netherton tunnel, and they decide they cannot afford it and therefore they close it, therefore that cuts off the whole section of the canal. That is one of the hard decisions they have to make, and if they had more money available and a guaranteed income from Defra—which they do not have now; the only guarantee is it is going to go down and down and down—then that would increase the pressure on those hard decisions they have to make.

Q415 Chairman: But BW in their evidence to us raised the issue of self-sufficiency, that was not at Defra’s instigation, so how do you tie those two positions together? That on the one hand Defra may be seen to be being unfair to BW in the way they brought these cuts forward, but BW have a clearly strategy?

Lynda Waltho: One great fear is that BW are being bounced into that sort of view. Whether or not that is the case, who knows, but that is where this idea of a contingency grew from; it is that fear that they are taking those commercial decisions when, in fact, really we should be treating them as a public body effectively, and they are actually quite different. So
there is that fear of being bounced into these commercial decisions that will not necessarily be the right decisions for the canal network.

**Mr Laxton:** Can I say that, as I understand it, the long-term position of British Waterways was to continue to seek out of Isis and other organisations an increase in their revenue stream so that over perhaps a 10 year period they could withstand a gradual and programmed reduction in the grant in aid money they get from Defra. The problem is they were hit in-year with a step change in their budget followed by the Comprehensive Spending Review which may end up with another step change downwards in their budget, and they find that very difficult to deal with. Any organisation would find it difficult to deal with. If, on the one hand, they can say: “We can agree a contractual arrangement with Defra that provides for steady downward step changes in the budget then we can pick up the slack because we can programme in increased income generation from within our organisation”—fine, but no organisation is able properly to contend with a state of affairs where in-year, out of the blue, they get told “Sorry, the money you were expecting you are not going to get now” and it has the potential only to get worse over the next few years.

**Q416 David Taylor:** Can we move on, now, to the relationship that BW has with its users and with its customers? I think I heard you say earlier on, Bob, that the Group were concerned that because of present financial pressures support for voluntary groups would be cut. When we received evidence from users and customers it was a little bit ambivalent. There were some which were reporting concerns about lack of consultation and sometimes conflict: others were much more positive. They described good and effective relations and they exemplified the Advisory Forums as evidence that there was effective consultation with British Waterways. Is that how you see it?

**Lynda Waltho:** British Waterways have a responsibility to volunteers, and part of what they have done is they get the ideas together, they get the people together, and they support. I went through Netherton tunnel last Friday with people who had managed to do the work to reopen the Dudley tunnel to the Dudley limestone caverns, and they did that over a period of I think 3-4 years every Saturday or Sunday, virtually digging it out, and that has been supported by British Waterways. There is such a lot of goodwill in terms of back-up and if we are losing 180 staff, or whatever, we are also losing a lot of experience. It takes a lot of years and bringing together of all of that knowledge and goodwill, and I am afraid that is where I am most concerned, particularly if I look at Stourbridge, where once again it was volunteers that dug that canal out. That has been established over many years and is at best shaky, if not crumbling in some places now.

**Q417 David Taylor:** Do you sense that the BW response to the staffing pressures that they are enduring at the moment will be a sharp growth in volunteer activity? That is not going to compensate or bridge any void left by government parsimony, is it?

**Mr Laxton:** I do not accept that it will. I do not accept the premise—

**Q418 David Taylor:** They have not said that.

**Mr Laxton:** I do not accept that reduction in funding will suddenly mean that out of nowhere a whole host of volunteers will jump into the breach—literally, maybe—and deal with the issues that British Waterways should deal with. There are not people around with the technical expertise and experience that was invested and remains invested in British Waterways. There are 180 people going and they are not going to be able to plug that. I have been involved for a number of years and am President of the Sandiacre Trust, and I know how difficult it is to keep building up, if you like, the enthusiasm of volunteers to do this, so I do not accept the premise that all these people would suddenly arrive. Can I say also on your original question, David, about the relationship of the users of British Waterways, it depends who you talk to. The Committee were down in Gloucester, a place very close to the Chairman’s heart, and I understand you had “mixed views” from various people, some taking the opportunity to have a go at British Waterways because they were unhappy about their relationship with them. For my part, my boat sits at a place called Sawley Marina, which is probably one of the biggest British Waterways marinas in the country—

**Q419 David Taylor:** Which constituency is that in?

**Mr Laxton:** It happens to be in yours! North West Leicestershire, and the hon. member is one Mr David Taylor, who more than adequately represents that area. In fact, I know that his election literature gets on to people who live on boats down there—it is quite remarkable!

**Q420 David Taylor:** But what is the relationship between British Waterways there and people on boats?

**Mr Laxton:** It is good. It is a good facility, a high quality facility, improving all the time. It is pretty expensive but it is a good facility. But I talk, and we meet and talk to other people and other organisations who are members of the all-party Group, who are critical for a variety of reasons of British Waterways, and my take on it is that British Waterways in the past have not covered themselves in glory in terms of the way in which they have dealt with users and the consultative arrangements. Also, they are getting better but they still have a way to go.

**David Taylor:** Could it be due to regional management rather than flaws in the national strategy? I do not know. I will leave it there.

**Q421 David Lepper:** Lynda, you have referred several times this afternoon to property that British Waterways is responsible for and owns, and you talked about the need to protect the physical assets of British Waterways. Now, we have had some concerns expressed to us over the weeks about some
of the property activities of British Waterways. One boater who has submitted evidence says they are more interested in property development and corporate survival than looking after boaters and canals, and the Inland Waterways Association has expressed concern about unreasonable financial pressures forcing them into inappropriate dealings to over-commercialise the waterway network and asset strip. Now, from what your members have to say on these issues presumably they hear from their constituents as well. Does the Group have a view on this particular point? Is there a conflict?

Mr Laxton: We do not have a view but there is clearly a conflict, and that has fed through some of our discussions. Also, for example, I get quite a reasonable level of e-mails from people around the country, they know I am Chair of the all-party Waterways Group and they e-mail on matters where I often have to get back and say: “Look, I am not here as some sort of arbitrator between yourselves and British Waterways”. For instance, down in Oxford there is redevelopment of a boatyard and area where British Waterways had to take a court injunction to get people removed which was very controversial. Also very close to where I live, and David will know this, down at Loughborough there has been some controversy about what I call a dead end section of a canal where there was a small boat yard and Loughborough University wanted to build student accommodation, but we need to set this against the backdrop that there is nationally in the country which is that wherever you are, where development takes place, particularly where you have an area that was built 200 years ago with boat yards and wharves and those sort of things, there is a conflict between people who want to retain the heritage aspect unchanged and developers who may want to just tear it all down and build new apartment blocks, and British Waterways sit in the process, as do Isis, almost trying to in some respects arbitrate between that and reach a view on appropriate development. So I think there is a certain inevitability, and there will always be some conflict in these areas.

Lynda Waltho: One member described the relationship as always a conflict between preservation and evolution, and effectively that underlines those problems.

Q422 David Lepper: Is there an issue at all about British Waterways going for what I might term the easy options in terms of where they put investment into the network, and neglecting some of those areas which are more difficult to maintain, with the danger of some of those more difficult areas being flogged off? Mr Laxton: I do not think so. Lynda would be able to speak with some experience of Stourbridge which is basically a dead end in effect, is it not, commercially—

Q423 Chairman: It is the centre of England! Mr Laxton: The canal is a dead end, it is a cul-de-sac, and essentially one would say: “Well, why would British Waterways do that?” Charlotte Atkins, the MP for Staffordshire Moorlands, lives close to the Caldon canal and has spoken about that with a high degree of eloquence. I have been down that canal when you could hardly get a boat down it and now it is a superb facility, but basically it is in a rural part of the countryside; British Waterways does not own great acres of land down there; you would never get development there because you would never get planning permission for it because it is in a very attractive part of the countryside; it was restored by volunteers and it is maintained by British Waterways, and they have continued to put resources and money in there, and long may that continue, and long may we be in a situation with areas like Derby and Sandyacres canal being reopened as part of a ring where some development can take place. So I do not think British Waterways can be accused of actually saying: “Well, we are neglecting this area to sell off this one”. I think that would be an unfair acquisition.

Q424 Chairman: Colleagues, thank you for your time. There may be things that you would have liked to have said, particularly because I cut you short, that you might wish to submit as further written evidence, but what you have said will be on the record shortly and will be there for all to see. I think it is very important that we use Parliament to display sometimes the interest that parliamentarians and others take in these issues so it was important that we saw you today, and I am sorry it was only for half an hour but you are busy people.

Mr Laxton: Can we thank you for giving us that facility and can I leave this information with you?1 You will find it quite enlightening because it gives views from a real cross section of MPs about what their views and concerns are on what the future holds for British Waterways. Thank you.

Supplementary memorandum submitted by the Parliamentary Waterways Group (BW 50a)

CURRENT USERS OF THE WATERWAY NETWORK AND THEIR RELATIONSHIPS WITH BRITISH WATERWAYS

It is fair to say that relationships are mixed. Passionate support for and commitment to the waterways despite any recent or historic tension is being demonstrated through the campaigning activities of users in recent months. In our meetings, discussions are constructive and courteous with the spirit of a common goal. There is a view that BW do not get best value out of the detailed knowledge and energy of many of the voluntary groups.
THE FINANCIAL FRAMEWORK OF BRITISH WATERWAYS AND THE IMPACT OF CHANGES IN DEFRA’S BUDGET

The Group has not discussed in detail the most appropriate Department to manage BW. The criteria however are that such a department should be competent operating in rural and urban settings, in managing historic and unique assets and infrastructures, have planning expertise and regeneration management skills. There is a view that these competences are unlikely to be concentrated in Defra and are more likely to be found in DCLG and DfT. DfT would be useful for the green agenda not just for freight but to recognize that walking and cycling are transport too.

The £600,000 compensation to Bernard Mathews will inflame the anti-Defra view.

There is concern that the redundancies have resulted in a mass exodus of experienced staff leaving a knowledge and networking vacuum. In addition, payments to long serving staff will be substantial sums of one off expenditure that bring no benefit to the waterways.

BW staff oil the wheels of voluntary work in maintenance and restoration and contribute significantly to regeneration. Losing staff so adding pressure on those that remain will mean many opportunities will be lost to lever not just funds but volunteer activity generally and waterway events an facilities for all. It takes time to have ideas, build and maintain productive relationships.

Ian Stewart MP illustrates the difficulty of cuts at BW

“There are a number of factors affecting the restoration proposals of the MBB Canal. British Waterways have identified this canal as one of their top national priority waterways for restoration. However a significant funding package is required to fully restore the MBB Canal. Early indications are that the minimum funding required would be around £36 million. It was originally hoped that up to 50% of this could be found through the North West Regional Development Agency (NWDA), but even this has not yet been secured. With such core funding in place it would be possible to seek support funding from a number of other sources such as National Lottery, or links to other regeneration funding programmes.

British Waterways, even before these proposed cutbacks, had limited funding to contribute to the proposed restoration. The main asset BW are bringing to the table is a highly skilled staffing resource, coordinating the programme to restore the canal, bidding for match funding, designing and implementing engineering works etc. The cutbacks could have an immediate impact on this resource. BW announced job losses of 180 before April this year with the prospect of more to follow. I know that Salford City Council is very disappointed in this outcome and would welcome a re-think of the proposed cutbacks to the BW budget.”

David Heyes MP says:

“Within the limited funding available British Waterways have concentrated on the highest priorities for maintenance—for example structures such as aquaducts that are liable to collapse without intervention, embankments at risk of subsidence that could lead to breaches in the canal, lock gates requiring refurbishment to prevent failure. Any of these events can, and in parts of the waterways network already have, happened and in each case the cost of repair far outstrips the cost of preventative maintenance and the affected waterways remain closed for months if not years. These failures can also present health and safety issues to members of the public. Fortunately when a lock failed just a few years ago in my constituency in Failsworth on the Rochdale Canal no one was injured despite the fact that two boats were in the lock at the time.

It is this preventative work that is threatened by these cuts to British Waterways. This is clearly false economy. Without essential maintenance problems will worsen, becoming increasing expensive to rectify and in many cases what is currently a maintenance issue will become a health and safety issue. I do not want to see the good work of British Waterways to date undermined to the extent that they return to the days of a Health and Safety backlog.”

RECENT DEVELOPMENTS IN THE STEWARDSHIP WORK AND COMMERCIAL ACTIVITIES OF BRITISH WATERWAYS, INCLUDING ITS PROPERTY PORTFOLIO

There is much concern about assets being sold off for short term gain or to reduce maintenance costs, losing navigation infrastructure, historic interpretive assets and the means to generate long term income via leases. There are worries that BW is being bounced into taking a too commercial approach, over-riding heritage and public interest concerns, to make its books balance. There is a view that its remit should be more focussed as a public service provider rather than pretending to be a commercial profit-motivated organisation.

To safeguard the assets for the nation and future generations, perhaps this is the moment to consider moving the assets into a trust with the charitable objective of retaining and maintaining the for public benefit. Contracts for maintenance can be placed with a separate body, assets can be leased for commercial development but without irreversible loss or damage.
If the above is a step too far for now as an interim measure disposals could be offered first to charities and voluntary groups acting in the public interest or even DCMS in a similar manner to the way sales of art works are delayed in the hope they can be purchased for the nation.

There could also be an independent panel that has to approve ANY disposal of realty and makes the judgment on the heritage value.

A current example of inappropriate disposal is the “Round house” complex at prestigious Brindley place. This is a unique, historic and iconic collection of buildings. The complex recently comprised a celebrated pub, restaurant and music venue (currently closed following management difficulties), a children’s nursery and various specialist retail units with an emphasis on arts and crafts. User groups recently noticed a “for sale” sign on it from British Waterways stating “For Sale Prime Development Opportunity”. The last information the user groups had was that BW were very close to finalising a lease for the Fiddle and Bone pub. Local people are outraged that this public asset is being sold.

**Potential for Growth in Leisure and Freight Use of the Waterways Network**

There is concern about the breaking up of BW’s freight department. Remember freight is not the only transport use of the waterways—cycling and walking can be transport as well as leisure.

**Relationships between British Waterways and Central Government Departments, Regional Development Agencies and Local Authorities**

Our waterways are recognised as having cross Departmental benefit and great local benefit but the responsibility and cost rest with one national Department.

There is a view that local authorities should all make a contribution to their local amenity as a matter of course (precept?) rather than as one offs or when grants are available.

Martin Jones MP makes a good point about the tension between DCMS and Defra with DCMS:

“The issue of Pontcysyllte Aqueduct has demonstrated that there is a contradiction between the aspirations of the DCMS and budgetary priorities of DEFRA in relation to the canal network in my constituency.

I believe this contradiction that has to be resolved as a matter of urgency.”

**BW Contingency Reserve**

There should be no question that urgent works should be carried out and the system restored to good working order without delay eg where a breach has occurred and that this should not come out of the annual grant in aid. It should be recognised that such an historic network will have unanticipated and expensive works required from time to time.

**Constituency reports, experiences so far, fears for the future**

MPs report dramatic increases in correspondence, personal representations and campaign activities on this topic and in greater than volume than usual for any topics. In several cases the Defra cuts have produced the first ever contact on any waterways issue.

Experiences so far include maintenance works being delayed (Netherton Tunnel) and historic property being proposed to be sold off for development eg Tipton Gauging Station (see Appendix 2), “round house” Brindleyplace. In the case of the former, an historic and interpretive asset is likely to be lost, in the case of the latter an intriguing asset (once mooted to include BW office space) that could be leased to provide long term income will go into private hands for short term gain. The Birmingham Canal Navigation old line coal chutes were dismantled last year as there was insufficient funding to repair and maintain them and an exciting and accessible thread to the recent past was lost.

There is much regret that this is happening just when the value of our waterways has been recognised and is being enjoyed and when so many people had high hopes for the future.

Fears for the future include:

— Impact on tourism.
— Impact on business.
— Rapid deterioration of relatively recent improvements such as to the towpath for walking and cycling and the general environment regressing to rubbish strewn, vandal lurking gloom.
— Loss of major stretches of canal that require some frequent maintenance for their upkeep eg Caldon and much of the BCN.
— Loss of wharves to development and thus character and sites for waterway services for leisure and freight.
— Selling off of assets.
— Halt to regeneration and restoration projects.
— Increase in boaters’ licence and mooring fees.

A notable example comes from Martyn Jones MP:

“As the APPG is aware, the Pontcysyllte Aqueduct was one of three UK nominations made to UNESCO by the Department of Culture, Media and Sport for consideration as a World Heritage Site.

This in itself recognises that the aqueduct is regarded as one of the world’s most renowned achievements of waterways engineering. Thanks, in no small part, to the genius of its engineer, Thomas Telford.

Should the Aqueduct’s nomination be successful, the potential not just in terms of status, but the impact on the local economy in relation to jobs and prosperity, would bring considerable benefit to the locale.

Therefore, cuts in funding at this stage of the nomination process would undermine the Aqueduct’s chances of securing World Heritage status, as it would undoubtedly send the wrong signals to UNESCO as to the seriousness of the British Government in supporting its own candidate.”

And on urban regeneration from Ian Stewart MP:

“Waterside Regeneration is seen as a fundamental aspect of the whole regeneration framework for Salford. Salford City Council has already achieved significant success in this with the highly acclaimed redevelopment of Salford Quays, now the home of famous landmark buildings such as the Lowry Centre and the Imperial War Museum, together with significant retail, leisure, commercial and residential property. Planned developments at the Quays are continuing to demonstrate the demand for these waterside locations with major new developments planned on all sites adjacent to the Quays and the banks of the Manchester Ship Canal, including the potential relocation of the BBC to the heart of Salford.

Salford City Council therefore welcomed the restoration plans for the MBB Canal as a real opportunity to add several miles of waterside development potential to land in the area. Much of this land is currently scarred by industrial decline and lies derelict, neglected and underused. Restoration of the Canal would bring major improvement through some of the poorest wards in the country, bringing much needed social, environmental and economic benefits to these areas and stimulating new and redesigned sustainable communities and neighbourhoods.

Aspirations have been raised in Salford for the MBB Canal as a fundamental asset to a number of existing regeneration projects. It runs through the heart of the New Deal for Communities area, is potentially a key component of the Chapel Street Regeneration project, the Urban Regeneration Company’s plans for Central Salford, the Newlands Programme in the Lower Irwell Valley and the Regional Park proposals for the Croal Irwell Valley. Unlocking the potential of the Canal corridor is recognised as crucial to major regeneration in the area. It has been estimated that restoring the Canal alone could create 6,000 jobs, lever in over £200 million additional investment, provide major recreation and tourist opportunities, and would link the urban core with the rural fringe, securing two way benefits for all.

Articles on the benefits of Waterside Regeneration litter the pages of planning, economic regeneration and housing journals every week. It is possibly one of the most important regeneration stimulants in the country today. It is therefore very worrying to see that the very bodies that are in a position to do most to stimulate this resource are facing such severe cutbacks.”

A very recent West Midlands example raised by a voluntary group:

Edgbaston Reservoir

Midland Sailing Club is one of the oldest sailing clubs in the country. Members have been sailing on Edgbaston Reservoir for one hundred and thirteen years. The Club is most concerned about the unusually low level of water in Edgbaston Reservoir. The water supply comes from Tipton Pools. This is likely to be a complex and expensive water engineering problem. British Waterways are taking a keen interest but may struggle to find the expert staff resource and costs of works to investigate and resolve the problem. Part of the solution is likely to be back pumping at Oldbury Locks but this includes water contaminated by an old chemical works.

Edgbaston Reservoir is a valuable inner city amenity, it is in the Ladywood/Winson Green area of Birmingham.
APPENDIX 1

A REPRESENTATIVE SAMPLE OF MPs' RESPONSES IN FULL, ILLUSTRATING THE SITUATION IN DIFFERENT SETTINGS

MPs were asked to quantify their post bag, indicate how this compares to previous communications on waterways and to a usual level of concern on an issue, and to list the issues raised.

Tim Boswell MP

Thank you for your email about forthcoming evidence to the EFRA Select Committee. In order to assist by getting a rapid response to you, I make the following brief comments:

1. In terms of my current constituency I probably have one of the longest stretches of rural waterway, including the Grand Union from Cosgrove via Stoke Bruerne (the Canals Museum) and Blisworth and Kilsby Tunnels to Braunston; then on the Leicester Arm; and also long stretches of the Oxford Canal as far as Aynho, where I am personally a “riparian” landowner. I have commented that the canals are Northamptonshire’s “seaside” and I have long supported their potential for tourism and localised development.

2. In normal “traffic”, I might receive about one letter a quarter on waterways issues, usually on some local maintenance problem.

3. Since the DEFRA “cuts” were announced, I have had at least a tenfold increase in correspondence, and on 3 March attended and addressed a very large rally of boat owners at Braunston.

4. While I acknowledge that this partly reflects disquiet at the level of user charges, I feel it is at least equally motivated by concern at the potential decay of the network. I have felt that, whereas for some years we have been “going forward” in terms of the maintenance backlog and with the possibility of new major schemes and canal restoration, now we are back in reverse gear. While no doubt this can be endured for a year or two, it would be a serious dereliction of duty and the waste of a great national asset if it persisted.

Ian Stewart MP

I have had written representations from six constituents (including a Salford City Councillor) and a few dozen representations in person from constituents concerning the BW budget cuts. This is easily the largest number of representations I have received on any “waterway” issue since my election in 1997.

I wrote to the Secretary of State for the Environment to express my opposition to the proposed cuts in October 2006 and my concern about the future of the proposed restoration of the Salford, Bury and Bolton canal. I also attended and spoke at the “Save our Waterways Campaign” protest on 25 November at Castlefields, Manchester.

My constituents have made the following points:

— They believe that these cuts have been imposed to help fund mistakes Defra has made in the management and distribution of farm subsidies. It would appear that British Waterways (BW) and the Environment Agency (EA) now have to pass on some of the cost of these cuts to users of canals and rivers.

— Our canals offer a popular leisure facility and their development in recent years has transformed many areas not only in the North West, but for example Birmingham City centre.

— Canals and waterway users can provide a significant boost to the local economy.

— In my constituency there are at least three narrow boat builders. They are naturally concerned about the impact on their businesses and employees of a reduction in funding. If people have reduced opportunities to use their boats, then they are less likely to buy new ones.

Role of waterways

In Salford and Manchester we have seen investment in canals and waterways kickstart urban regeneration and redevelopment. Waterways played a significant role in the development of the Greater Manchester area in the 19th and early 20th century. And after decades of decay, like other parts of the UK, since Labour came to office in 1997, they have begun to blossom again. In my area we have seen considerable development and we have big plans. (Salford Council is twinned with Narbonne in France and when representatives of the French city council visit Salford this July, one of the events scheduled to entertain our guests is a narrow boat regatta with jazz music.)

The proposals to restore the Manchester, Bolton and Bury Canal to navigable status were originally announced in approximately 2001 by British Waterways. The MBB Canal runs through three local authority areas, Salford, Bury and Bolton and these three authorities agreed immediately to work in partnership with BW and the MBB Canal Society, to help to secure the resources necessary to restore the Canal.
Waterside Regeneration is seen as a fundamental aspect of the whole regeneration framework for Salford. Salford City Council has already achieved significant success in this with the highly acclaimed redevelopment of Salford Quays, now the home of famous landmark buildings such as the Lowry Centre and the Imperial War Museum, together with significant retail, leisure, commercial and residential property. Planned developments at the Quays are continuing to demonstrate the demand for these waterside locations with major new developments planned on all sites adjacent to the Quays and the banks of the Manchester Ship Canal, including the potential relocation of the BBC to the heart of Salford.

Salford City Council therefore welcomed the restoration plans for the MBB Canal as a real opportunity to add several miles of waterside development potential to land in the area. Much of this land is currently scarred by industrial decline and lies derelict, neglected and underused. Restoration of the Canal would bring major improvement through some of the poorest wards in the country, bringing much needed social, environmental and economic benefits to these areas and stimulating new and redesigned sustainable communities and neighbourhoods.

Aspirations have been raised in Salford for the MBB Canal as a fundamental asset to a number of existing regeneration projects. It runs through the heart of the New Deal for Communities area, is potentially a key component of the Chapel Street Regeneration project, the Urban Regeneration Company's plans for Central Salford, the Newlands Programme in the Lower Irwell Valley and the Regional Park proposals for the Croal Irwell Valley. Unlocking the potential of the Canal corridor is recognised as crucial to major regeneration in the area. It has been estimated that restoring the Canal alone could create 6,000 jobs, lever in over £200 million additional investment, provide major recreation and tourist opportunities, and would link the urban core with the rural fringe, securing two way benefits for all.

Articles on the benefits of Waterside Regeneration litter the pages of planning, economic regeneration and housing journals every week. It is possibly one of the most important regeneration stimulants in the country today. It is therefore very worrying to see that the very bodies that are in a position to do most to stimulate this resource are facing such severe cutbacks.

There are a number of factors affecting the restoration proposals of the MBB Canal. British Waterways have identified this canal as one of their top national priority waterways for restoration. However a significant funding package is required to fully restore the MBB Canal. Early indications are that the minimum funding required would be around £36 million. It was originally hoped that up to 50% of this could be found through the North West Regional Development Agency (NWDA), but even this has not yet been secured. With such core funding in place it would be possible to seek support funding from a number of other sources such as National Lottery, or links to other regeneration funding programmes.

British Waterways, even before these proposed cutbacks, had limited funding to contribute to the proposed restoration. The main asset BW are bringing to the table is a highly skilled staffing resource, coordinating the programme to restore the canal, bidding for match funding, planning and designing the engineering works etc. The cutbacks could have an immediate impact on this resource. BW announced job losses of 180 before April this year with the prospect of more to follow. I know that Salford City Council is very disappointed in this outcome and would welcome a re-think of the proposed cutbacks to the BW budget.

In 2006 I wrote to the Financial Secretary to the Treasury on behalf of constituents who were alarmed by the prospect of a significant increase in the fuel costs for pleasure craft, the so-called “red diesel” under EU harmonisation plans. Towards the end of 2006, I received an update from the Minister to say that the Government had formally applied to the European Commission to renew our derogation from the relevant EU directive, so that private pleasure craft can continue to use rebated gas oil. It has become almost trite to talk about joined-up government, but it doesn’t always happen and it does lead to better decision making. Investment in canals and waterways can have a significant role in urban regeneration and I hope that early action can be taken to reverse the cuts in funding for our waterways agencies.

Martyn Jones MP

Thanks you for your email of 3 April regarding funding cuts to British Waterways.

As you will be well aware, the constituency which I represent in Parliament—Clwyd South—relies quite considerably on tourism as a major component of the local economy.

One of the principal tourist attractions in Clwyd South (and the whole of North Wales) is the Llangollen Canal. Indeed, this particular canal is one of the most popular waterways in the whole of Europe.

It is understandable, therefore, that the proposed cuts in the budget of British Waterways by DEFRA have generated considerable concern amongst my constituents. This concern has been reflected in the amount of correspondence I have received on this issue, from individuals and community groups locally.

Their primary concerns (some of which I entirely share), include the fear of undermining the work of British Waterways in regenerating the canal network locally over years. This is understandable, as the canal has brought considerable benefits locally in terms of employment and income.
Constituents have also expressed concerns that the huge amount of work undertaken by voluntary groups in restoring the network over recent years. They believe this work could now be undermined by the cuts, and they have fears that the canal could fall back into a state of disrepair and decay.

They have also articulated concerns relating to British Waterways’ capability in the future of coping with emergencies such as breaches of canal banks etc., should the cuts be made.

Another point that was raised in correspondence—and one which I strongly support—is related to the use of the canal network for freight transport.

The environmental benefits in removing some freight from our roads are not only self-evident, but in my view this is an aspiration that should be taken much more seriously for sound economic reasons.

Whilst tourism will always remain the “engine” that drives the canal network in the UK, the potential and opportunities for wider use of canals for freight transportation, should be explored considerably more than it has to date.

However, with British Waterways facing cuts, it is difficult to see how that potential could be fully explored and realised.

Correspondents have also leveled accusations at DEFRA, that it is offsetting huge EU fines as a result of late payment being made to UK farmers.

Earlier this year, I attended and addressed a very well attended demonstration event held at the Trefor Canal Basin in my constituency. The attendance at this event, I believe, reflected the level of community support for the canal network locally. It showed me as the local MP, the recognition by my constituents of the tremendous asset and potential that the canal brings to their area.

Finally, the current debate over funding comes at a crucial juncture for the Llangollen Canal in particular. As the APPG is aware, the Pontcysyllte Aqueduct was one of three UK nominations made to UNESCO by the Department of Culture, Media and Sport for consideration as a World Heritage Site.

This in itself recognises that the aqueduct is regarded as one of the world’s most renowned achievements of waterways engineering. Thanks, in no small part, to the genius of its engineer, Thomas Telford.

Should the Aqueduct’s nomination be successful, the potential not just in terms of status, but the impact on the local economy in relation to jobs and prosperity, would bring considerable benefit to the locale.

Therefore, cuts in funding at this stage of the nomination process would undermine the Aqueduct’s chances of securing World Heritage status, as it would undoubtedly send the wrong signals to UNESCO as to the seriousness of the British Government in supporting its own candidate.

The issue of Pontcysyllte Aqueduct has demonstrated that there is a contradiction between the aspirations of the DCMS and budgetary priorities of DEFRA in relation to the canal network in my constituency.

I believe this contradiction that has to be resolved as a matter of urgency.

I believe Government now has a responsibility to address this dilemma, not just for the benefit of my constituents, but for the wider interests of heritage within the UK as a whole.

David Heyes MP

My constituency has a rich canal history. In the centre of Ashton-under-Lyne, the Portland Basin is a vital hub in the national canal network at the confluence of the Ashton, Peak Forest and Huddersfield Narrow Canals. The Ashton canal itself runs through Droylsden to Manchester to meet the Rochdale and Bridgewater canals, forming part of the Cheshire ring. In recent years we have seen the successful refurbishment or restoration of all of these canals and, most recently, Millennium funding has enabled the restoration of the Rochdale Canal through Failsworth in the Oldham part of my constituency. There is also a very active Hollinwood Canal Society’s work to restore and ultimately reinstate that canal and link it back into the network.

In a speech I made just last November about my Private Member’s Abandoned Waterways Bill I congratulated the government on its commitment to the future of inland waterways, which was clearly stated in the Transport White Paper and the “Waterways for Tomorrow” document. This latter explained that the Government “wants to promote the inland waterways, encouraging a modern, integrated and sustainable approach to their use.” The document highlights the benefits of inland waterways in terms of leisure and recreation; heritage and the natural environment and regeneration.

I have constituents who play a very active part, as volunteers, in the restoration and maintenance of canals. They tell me that at one time British Waterways had a significant backlog of health and safety issues but that these have now largely been addressed, with the assistance of DEFRA funding. There is, however, still a considerable list of structures on our waterways that require ongoing maintenance and I am told that it is this preventative work that British Waterways have been able to focus on more recently with the funding provided by government.
Against this rather positive backdrop it is therefore disappointing that the current debate has become necessary. British Waterways has faced a series of cuts in funding this year that amount to £9 million—a 15% cut in its grant-in-aid within the current financial year. This will have a detrimental impact on the ongoing maintenance programme.

Within the limited funding available British Waterways have concentrated on the highest priorities for maintenance—for example structures such as aquaducts that are liable to collapse without intervention, embankments at risk of subsidence that could lead to breaches in the canal, lock gates requiring refurbishment to prevent failure. Any of these events can, and in parts of the waterways network already have, happened and in each case the cost of repair far outstrips the cost of preventative maintenance and the affected waterways remain closed for months if not years. These failures can also present health and safety issues to members of the public. Fortunately when a lock failed just a few years ago in my constituency in Failsworth on the Rochdale Canal no one was injured despite the fact that two boats were in the lock at the time.

It is this preventative work that is threatened by these cuts to British Waterways. This is clearly false economy. Without essential maintenance problems will worsen, becoming increasing expensive to rectify and in many cases what is currently a maintenance issue will become a health and safety issue. I do not want to see the good work of British Waterways to date undermined to the extent that they return to the days of a Health and Safety backlog.

The Inland Waterways Association suggest that DEFRA has made cuts to British Waterways’ grant in aid so that it can pay a large fine to the European Union for failing to pay farmers promptly through the Rural Payments Agency and to address overspending on other systems and projects, mainly relating to farming. It seems unfair that the agreed funding to British Waterways is being retrospectively clawed back though no fault of British Waterways to be used to pay for failings within DEFRA.

I understand that DEFRA ministers will be making settlements with the Treasury in the next few months that will have implications for DEFRA funding for several years to come. I urge ministers in both DEFRA and the Treasury to ensure that British Waterways funding is restored to former levels and that the importance of this work is recognised so that this is not seen in the future as the pot of money that can be readily raided if difficulties arise elsewhere in DEFRA budgets. This is vital if government’s commitment to the benefits of inland waterways in terms of leisure and recreation; heritage and the natural environment and regeneration is to be honoured.

APPENDIX 2

TIPTON GAUGING STATION

Section 22 of the 1995 British Waterways Act requires British Waterways (BW) to have regard to the desirability of protection and conserving buildings of architectural, engineering or historic interest and to take into account any effect on the amenity of an urban area and its buildings. Since the passing of the Act it has failed to carry out these duties on many occasions, often citing lack of funding as the reason.

A recent example of this has been the disposal, via a 150-year lease, of Tipton Gauging Station as part of a much larger mostly vacant site as a development opportunity. BW used an agent to do this and they did not disclose that they ere acting on behalf of BW and consequently it was overlooked by waterway businesses who may have had an interest in developing it for their trades.

The building is unique, being the only twin dock gauging station built and is thus of considerable historic importance. It is grade 2 listed and was built as late as 1873 for the BCN Co following pressure by trades who, as a result of increasing railway competition sought a much fairer system of toll charging to the previous “longweight” system then used for sending coal by boat. This resulted in the BCN Co deciding to gauge all the boats operating on their extensive network and create gauging tables to verify the loading of all boats and lead to the construction of the building. This sequence of events adds to the uniqueness of the building making it a candidate for a higher-grade listing. It certainly deserves a better future having survived this long vitally intact.

Following the last docking in 1961 it was used for around 40 years until 2003 by an Electro Plating business who, by the nature of this business, contaminated the land and we not forced by BW, who preferred to take the rent and keep at arms length, to clear it up and/or maintain the building.

Upon finally in directly learning of its availability, well after the building had been disposed of, Dudley Canal Trust, the largest commercial boat operator in the area, felt the it was an ideal place to maintain their boats, especially in light of the tightening requirements for commercial operators. Unfortunately it had been disposed of without any consultation with the users and thus their knowledge.
Postscript:

Dudley Canal Trust and Inland Waterways Association have successfully objected to a planning application for the site. On 26 April 2007, following a site visit, Sandwell Council rejected a planning application and have made the proviso that future applications must ensure that the structure has a waterways use.

Parliamentary Waterways Group

April 2007

Memorandum submitted by the Department for Environment, Food and Rural Affairs (BW 47)

1. In response to the Committee’s decision to hold an inquiry into how British Waterways is working towards its ambition of creating “an expanded, vibrant, largely self-sufficient network”, in the context of the policies set out by Government in “Waterways for Tomorrow”, the most recent policy review of British Waterways and recent changes in Defra’s budget, the Department for Environment, Food and Rural Affairs (Defra) has the following comments:

**INTRODUCTION**

2. The Government’s policy for the inland waterways is set out in Waterways for Tomorrow. This document promotes the inland waterways, encouraging a modern, integrated and sustainable approach to their use and is aimed at navigation authorities, local authorities and other organisations associated with the inland waterways. In particular the Government looks to them to protect and conserve the waterways while at the same time encouraging their best and innovative use, maximising the opportunities they offer for leisure and recreation; as a catalyst for urban and rural regeneration; for education and for freight transport. It also notes that the challenge faced by navigation authorities is to sustain their navigation activities which are fundamental to the viability of the waterways while, at the same time, maximising all the opportunities offered by other waterway users, some of whom may present different and potentially conflicting requirements. The challenge will not always be the same because the emphasis will vary from one waterway to another. Government looks to all navigation authorities to manage their waterways effectively to achieve a balance between uses to ensure that the waterways have a sustainable future and deliver all the benefits of which they are capable.

3. The Inland Waterways Amenity Advisory Council (IWAAC), the Government’s statutory advisory body (see below), is currently assessing the extent to which the policies as set out in Waterways for Tomorrow have been put into practice and is due to report to Government later this year.

4. About half (2,615 km) of the navigable inland waterways system is managed by British Waterways, and a further quarter by the Environment Agency (875 km) or the Broads Authority (160 km). The remainder is the responsibility of about 30 other navigation authorities drawn from the public, private and voluntary sectors. This memorandum relates to British Waterways’ waterways in England and Wales only. The comments do not necessarily apply to waterways in the care of other navigation authorities.

**BRITISH WATERWAYS**

5. British Waterways’ inland waterways include both canals and navigable rivers. British Waterways was established in its present form by the Transport Acts of 1962 and 1968 when the waterways were still regarded primarily as a freight system. However the role of most of British Waterways’ waterways has changed radically over the last forty years. These waterways are now used chiefly for leisure and amenity and as a powerful catalyst for inner city and rural regeneration as well as serving a number of other important purposes ranging from leisure to drainage. They are an important part of the country’s heritage and make a valuable contribution to the environment.

6. British Waterways is a public corporation with the main purpose of managing, maintaining and developing its network of waterways and docks for the wider public benefit. It is required to run its affairs on a commercial basis, consistent with its statutory obligations, powers and objectives agreed with Government.

7. The key policy objectives for British Waterways are set out in the Policy Review of British Waterways (the Review) as being:

— Objective 1. To ensure the structural integrity of the operational asset base and to deliver safe, efficient and effective operation for leisure and commercial users on a “use and prospects of use” basis;

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1 Waterways for Tomorrow, DETR published June 2000.
— Objective 2. As custodian of publicly owned inland waterways to make them accessible and attractive to the wider public;

— Objective 3. As a public corporation to operate the business in a commercial, cost effective and open manner having proper regard for public policy and corporate social responsibility and the need to make an appropriate return on assets; and

— Objective 4. British Waterways must be open and accountable with regard to its strategic plans and operational activity. They must engage with a wide range of stakeholders with particular attention to those who have a special interest in the inland waterways.

8. Sponsorship of British Waterways is a devolved matter. Defra sponsors British Waterways in England and Wales; in Scotland this responsibility lies with the Scottish Executive Enterprise, Transport and Lifelong Learning Department. Responsibility for British Waterways in Wales has not been transferred to the Welsh Assembly Government but Defra works closely with the latter.

(i) Current users of the waterway network and their relationship with British Waterways

9. As set out in the Review, the Government looks to British Waterways to operate its business in a commercial, cost effective and open manner having proper regard to public policy and corporate social responsibility. In particular, as both steward of the network and owner of growing commercial businesses utilising this network, the Government expects British Waterways to act and be seen to act in accordance with fair trading principles and to be able to demonstrate compliance with competition law. Also, as a visitor attraction, attracting 300 million visits per year Government looks to British Waterways to address the needs of its customers across the wide spectrum and to have an openness and accountability framework with a comprehensive system of redress.

(ii) The financial framework for British Waterways and the impact of changes in Defra’s budget

10. The Review concluded that the net cost of running the core network is to be funded through the return delivered on British Waterways’ commercial activities and through grant in aid (deficit funding) from Government. It supports British Waterways’ ambition of becoming largely self-sufficient, including that British Waterways should strive both to maximise the financial contribution from its commercial activities and to minimise the cost of running and maintaining the core network to specified standards. Indeed, British Waterways has been making very good progress in growing its commercial income and has increased its income by over 200% and tripled its trading income in the six years since the publication of Waterways for Tomorrow. Nevertheless, the Review recognised that Government funding would continue to be necessary for the medium term at least. British Waterways is not intended to make an overall profit, and any surpluses of income over expenditure are reinvested in the network, improving facilities, maintaining canals, and carrying out large-scale capital expenditure.

11. In relation to 2005–06 (the last set of published accounts) British Waterways’ total revenue was £190.5 million of which £62.6 million was Defra grant and £12 million from the Scottish Executive. British Waterways’ business activities accounted for £115 million of its revenue in 2005–06.

12. For 2006–07 Government funding was originally set at £59.4 (plus £640k as a contribution towards reducing the burden on outstanding National Loans Fund loans). The Government recognises that this was £3.2 lower than anticipated at the time of the SR04 settlement. This was subsequently further reduced by an in year cut of £3.9 million and this has recently attracted Parliamentary attention. However, this must be seen in the context of very substantial increases in Government funding for British Waterways over the last 10 years, which were specifically designed to address previous under-investment. In particular, British Waterways has received substantial funding in that time, including £42 million to help reduce the safety backlog and £30 million between 2001–02 and 2003–04 for infrastructure improvements to bring the network up to sufficiently reliable standard to attract new businesses and opportunities for waterways. In total it has received some £524 million since 2000 of which £452 million relates to England and Wales. As a result British Waterways has been able to eliminate its health and safety arrears and reduce its maintenance arrears to £97 million by end 2006–07. Government has recently announced that 2006–07 funding will be rolled forward to 2007–08, plus £2.048 million contribution to repaying National Loan Fund loans. In relation to the impact British Waterways has said that the impact has been primarily absorbed by delaying major engineering works to a value of £5.6 million. The table of historic funding is attached as Annex A.

(iii) Recent developments in stewardship work and commercial activities of British Waterways including its commercial portfolio

13. British Waterways has a strong track record of delivering a wide range of broader public benefits (including leisure, heritage, regeneration, transport and environmental) and of using its waterways as a catalyst for regeneration which has far-reaching benefits for local environs, the region and the wider water leisure industry generally. As set out above, it operates within a clearly defined policy and commercial frameworks. The Government looks to the Board to make informed decisions regarding priorities and resource allocation between its own statutory obligations and its wider remit.
14. In relation to stewardship of the network, Government is proud of the progress British Waterways has been able to make in addressing the need for infrastructure investment (as above) and the support it has given to the restoration of derelict canals and other waterways. In particular, British Waterways has been a major contributor to waterway restoration in recent years with its expertise and advice and has facilitated the restoration of some 200 miles of disused waterways to full navigation. These waterways contribute to opportunities for leisure, recreation and tourism. IWAAC is currently reviewing the success of restoration projects in recent years.

15. More generally, as part of its commercial remit, British Waterways forms partnerships with property companies to develop stretches of canal and adjoining land, leading to the regeneration of predominantly urban stretches of the network. In doing so, British Waterways forms an integral part of regeneration initiatives creating jobs and generating income from tourists and other visitors. Its presence (and financial commitment) in these projects is often the critical catalyst for levering in significant private sector capital, (for example the proposed restoration of the Bradford canal includes 70% private sector money), as well as ensuring that key policy requirements are delivered, including improved infrastructure and affordable housing.

16. The Government has been pleased with British Waterways’ performance both in relation to stewardship of the canals and increasing its commercial portfolio and is looking to British Waterways to provide its own evidence to the Committee on its achievements in recent years.

(iv) Potential for growth in leisure and freight use of the waterways network

Freight

17. The Government is keen to encourage greater use of inland waterways for carrying freight, where practical and economic and it offers freight grants where the transfer of freight from roads to water (and rail) is cost effective in terms of securing environmental benefits. The Freight Study Group reported its findings on the scope for increasing freight traffic on the inland waterways of England and Wales in 2002. They concluded that most of the inland waterways are too small to carry much freight and that although the historic narrow and broad canals were unsuited to carrying large volumes of freight they could provide opportunities for niche markets. In a constrained funding regime British Waterways will have to balance the environmental benefits of waterborne freight against other priorities.

18. There is scope for increasing water freight on some major rivers and commercial canals where there is spare capacity and where opportunity exists in particular for niche markets. However major infrastructure projects would be required to realise any increased potential on the majority of the historic network.

19. As an example, the Olympic Games provide an opportunity for the movement of freight by water during both the construction and legacy phases using the Bow Back Rivers. Government working with British Waterways, the navigation authority for the rivers, the Environment Agency and the Olympics Delivery Authority is actively pursuing a number of options for the maximisation of the use of these waterways and for the construction of a lock to enable waterborne freight to reach into the heart of the Olympics site and to ensure the Games reinvigorate the waterways in the Lower Lea Valley, including for leisure purposes.

Leisure

20. British Waterways’ activities to maintain and, where necessary, improve the network have significantly increased the general amenity value of the canals, leading to increased commercial operators of vessels working in the leisure industry, tourism and other leisure activities. It thus contributes to Government’s strategic priorities to enhance access to culture and sport for children, improve the places where people live and maximise the contribution of the tourism and leisure industries to the economy. Funding from the Department for Culture Media and Sport is distributed through several sponsored bodies, which in turn deliver funding across a number of activities and institutions.

21. Most of British Waterways’ waterways are now predominantly used for leisure and recreation. This includes boating of all kinds, angling, sport, and informal activities such as walking, cycling and exploring the waterways’ built and natural environment. Government recognises that a well-maintained water network acts as an encouragement to tourists in both urban and rural areas, brings benefits to local businesses and improves local environs for the benefit of the local community. It welcomes the contribution British Waterways has made to improving its network for the benefit of recreation and leisure in the light of competing demands for available resources. It notes that there is potential for further growth.

22. Government also expects British Waterways and English Heritage to work in partnership in relation to British Waterways’ historic and environmental structures (including bridges). The Heritage Lottery Fund has contributed a total of £52 million towards 19 projects since 1994, either directly to British Waterways or to their partners in projects with British Waterways, to conserve and interpret the waterways network, including £400,000 for an online website of canal archives in 15 locations.
Governance

23. The Review of British Waterways considered the relationship between British Waterways and central Government, particularly with Defra as the sponsoring Department. In particular, the Review proposed a new governance architecture for the relationship between Government and British Waterways including new policy and accountability frameworks to give clarity and transparency of objectives; measurement of performance and exploitation of its commercial business; setting of key performance indicators; long-term funding on a contractual basis and wider investment powers to allow investment near to other waterways.

24. The Government is aided in its dealings with British Waterways by the Shareholder Executive. The Shareholder Executive has a mission to professionalise the Government’s shareholder role across its portfolio of businesses, by implementing private sector best-practice within a public sector context and making delivery of Government public policy objectives more effective.

25. The Government, working with the Shareholder Executive and British Waterways is implementing recommendations of the Review. It has set out its key priorities for the British Waterways board in a letter to the Chairman. These include a move towards a longer term funding agreement, clarity around a financial framework and the need to be seen as being properly accountable and trading fairly. The Government has also introduced a set of Corporate Governance Principles explaining how the relationship between British Waterways and Government (as shareholder) should work so as to maximise the success of the business consistent with British Waterways underlying statutory provisions. It is currently discussing a longer term funding and accountability framework.

26. In particular, Government assesses British Waterways’ performance through an accountability framework based on a shareholder model. This ensures that British Waterways’ governance is compliant with the principles of the Combined Code and fits the needs of the shareholder and business; sets overall objectives for the business and agreement to their delivery; makes appropriate appointments to the Board; and monitors and assesses performance through Quarterly Shareholding Meetings. A Financial Memorandum (currently being revised) sets out the standing arrangements governing such matters as authority to invest, cash constraints, borrowing and other financial issues.

Policy

27. Defra as well as a number of other Government Departments look to British Waterways to contribute to the implementation of their policies: Defra for waterways policy (as set out in Waterways for Tomorrow), as well as flood defence (including land drainage), fisheries, water based recreation and conservation; Department for Culture, Media, and Sport (DCMS) for heritage, tourism and sports; Department for Transport for freight and implementation of water safety policies; and Department for Culture and Local Government for urban and rural regeneration. British Waterways also contributes to other Government Departments’ policies. Defra as sponsor department takes the lead in setting strategic policy for British Waterways but works with other Government departments on strategic issues affecting their policies.

28. The Inland Waterways Amenity Advisory Council (IWAAC) advises Government in its dealings with British Waterways. IWAAC was created in 1968 to advise Government and British Waterways on the use of the latter’s waterways for amenity and recreation. IWAAC’s remit will change when The Natural Environment and Rural Communities Act 2006 is brought into force. This will sever IWAAC’s administrative connections with British Waterways and replace the Council’s existing statutory advisory functions with wider terms of reference enabling it to advise Government, navigation authorities and interested persons about the inland waterways generally. The Council will be renamed the Inland Waterways Advisory Council to reflect its new role.

29. Government expects British Waterways to work directly with relevant departments and their delivery bodies on local and regional issues affecting their priorities and policies. This is of course true for bodies in the Defra family, like the Environment Agency, which works with British Waterways on a range of issues. Beyond Defra, British Waterways works directly with Maritime and Coastguard Agency (MCA) on developing a range of new standards and codes for inland waterway vessels and operators, and acts as a model of best practice as an operator of vessels. In 2004 it signed a Memorandum of Understanding with the MCA, setting out the terms of its working relationship. It works closely with Department for Transport on freight matters and its sponsored body “Sea and Water”.

30. Similarly, British Waterways have an ongoing relationship with English Partnerships, particularly as strategic partners in regeneration schemes and as recipient of grant and dowries. Various transfers of assets have taken place over the last 10 years between the two bodies. Currently, British Waterways is involved in major long term regeneration projects at Trent Basin and Gloucester Quays both of which are being grant aided by English Partnerships.
31. Specifically in relation to Regional Development Agencies (RDAs) the Government also expects British Waterways to work in partnership to ensure regional needs are addressed, and to make best use of funding available. This includes support for proposals for the improvement, development and restoration of the waterways in the region, and the opportunities they offer for wider regeneration initiatives, where appropriate.

Local authorities

32. British Waterways works with local authorities to promote understanding of waterways related issues and opportunities with an aim of raising the profile of waterways, highlight policy issues and lobby for positive waterway related policies within Local Development Frameworks. In particular, Government has issued guidance to local authorities to protect the lines of disused waterways proposed for restoration and to ensure that navigable crossings are provided when new roads are built across these waterways. Government also contributes to a number of waterways related publications by IWAAC and The Association of Inland Navigation Authorities (AINA) aimed at local authorities. Planning guidance also encourages LA’s to consider the need of waterways—in particular PPG17, Planning for Open Space, Sport and Recreation. Under such guidance, British Waterways is a statutory consultee for planning applications affecting the structural integrity of the waterway, safety of users or neighbours, water resourcing and management, land drainage and flood alleviation, heritage, natural environment public access to and recreation use of inland canals.

CONCLUSION

33. In summary, Government is satisfied that British Waterways has made excellent progress in creating “an expanded, vibrant, largely self-sufficient network”. Looking forward, Government will continue to expect British Waterways to safeguard the longer-term sustainability by investing appropriately in the network within the available funding envelope while accelerating moves towards self-sufficiency.

Department for Environment, Food and Rural Affairs

January 2007
### BW income history over past 20 years—including joint venture turnover

#### England & Wales

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### Notes
1. The figures in the tables above are taken from the profit and loss account and show BW’s self generated income separate from its core business (excluding restoration & regeneration), government grant and separately third party funding towards restoration and regeneration projects.
2. No correlation can be made between the provision of government grant in England & Wales and the increases in third party contributions toward restoration projects in recent years.
3. The grant income shown in the profit and loss account is grant accrued in the financial year, not cash received. Differences between accrued and cash grant is shown in the annual accounts each year as a disclosure note (note 2). Grant received on 1 April, for expenditure incurred but not paid before 31 March, is accrued in the accounts. Grant includes the phased release of capital grants from previous years.

### Cash Grant funding over past 20 years

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Witness: Barry Gardiner MP, Parliamentary Under-Secretary (Biodiversity, Landscape and Rural Affairs), gave evidence.

Q425 Chairman: Welcome, Minister. It is good to have you before us. It is probably a change to be here rather than Westminster Hall, where you will be receiving your third Adjournment Debate on Wednesday morning, and on that topic, given that there is plenty of heat on this issue, does it mean you escape to the water from time to time? Have you been on a narrow boat recently?

Barry Gardiner: I have. I went out on a narrow boat with the Chief Executive last year; I have met boaters, of course, at the Boat Show and on a number of other occasions, and I have just renewed the invitation that I previously had obtained to visit on board the Hon. Lady.

Q426 Chairman: What we have learned from this inquiry is there are three distinct roles that BW are pursuing. Firstly, there is the maintenance of the existing network of 2,000 miles which has been increased which is good news; secondly, they are extensively involved with property development to bring in income, and, thirdly, they tend to act in partnership with other organisations in terms of regeneration, and I have talked to you privately about Stroudwater which would be a classic case of that. Do you think those three roles are compatible, or are there places and certainly issues that you think mean that BW is not always the appropriate organisation to try to hold the ring?

Barry Gardiner: Chair, you begin with a question that has multiple strands, and let me try and tease some of them out. The essential question you pose is the compatibility of those strands, and in order to assess that fairly you have to look a little bit at the past record. I do not want to regurgitate what I am sure the Committee has heard many times before but clearly there has been considerable success over the past 10 years in precisely reconciling those strands, and I do think that we are in danger of snatching defeat out of the jaws of victory here in looking at the past 10 years and thinking that it is a story of gloom and doom. It is not. British Waterways will have said to you, I know, that their involvement with other organisations in terms of partnership and achieve a remarkable success.

Barry Gardiner: First of all, can I scotch the widespread myth that this all has to do with the RPA? It has not. As I outlined on a number of occasions in Westminster Hall, and also at the Waterways Group, Defra’s in-year pressures this year amounted to £200 million. Of those, only £23 million related to the RPA and the idea, which I know is one which is widely trailed out there and is on all the websites and is often mentioned by members of Parliament, that this is all down to the RPA is absolutely false.

Q428 David Taylor: This Committee has never taken that view, of course. We have looked at it in great detail but we have stated, and the Chairman is a better person to state this than I am, that the RPA’s role was a significant factor but we have never claimed it is the entire reason.

Barry Gardiner: No. To put it in context it represents about 11% of the pressures that Defra was facing, and if you look at the way in which the in-year cut was made, a cut of £3.9 million represents 6.6% of their original allocated budget. Just picking up again on the previous evidence session, it is a cut the magnitude of which is clearly unwelcome. I do not in any way seek to try and hide that, it was an in-year cut which adds doubtly to the problem, because of course you have already made your spending commitments and it is much more difficult to make those cuts in-year, but it is out of a £190 million budget where it is possible to cope with it, and as evidence of that I would simply say that many other agencies and partners of Defra coped with much
larger in-year cuts without apparently experiencing the same problems. Given that we are now focused on finances—

Chairman: Let me ask David Taylor to lead in and ask more specific questions.

Q429 David Taylor: You seem to be suggesting that the British Waterways should be grateful for what they have and that it is far worse elsewhere. That is surely not the theme of what you are saying?

Barry Gardiner: No. If I were to do that it would be glib. The point I was making was to try and say that of course no cuts, particularly in-year cuts, are welcome, but any organisation experiences in-year pressures and most are capable of managing them. There are very clear reasons why in the present circumstances British Waterways found that difficult, and in fact it has taken me a very long time indeed to get from British Waterways the financial figures which I now believe underpin that situation. I have been asking for many months for the projections for steady state and looking back to the 10 year programme for 2002, the plan for the future, and on Friday evening in my office I eventually got a complete breakdown of that from British Waterways. I was not able to read it until this morning because I was in other parts of the country over the weekend on ministerial business, and I am sorry to spring this as a rabbit out of a hat, but I do believe it will help the Committee substantially. It has taken me many hours this morning—

Q430 Chairman: Will we get access to these figures?

Barry Gardiner: I would like to make them available to you now.¹

Q431 Chairman: It is a good job we have David Taylor on the Committee.

Barry Gardiner: They came with a letter from the Chair of British Waterways which, again, I will happily make available to the Committee.² I suspect it would probably be better to do so afterwards because it is a fairly long letter and it would take probably about 20 minutes of the evidence session [en rule]

David Taylor: There will be some new figures in here, and no doubt you will be able to point us to those where they relate to any answers you want to give, so we do not get totally derailed.

Q432 Chairman: Can I make one point, Minister? When we took evidence from British Waterways the Chief Executive made it absolutely clear he was in daily contact with someone in your department—not you, but obviously there was a civil service link. Are you saying that that link has taken all this time, given that we took evidence four weeks ago, to get a set of figures that you now presumably cannot yet agree on because you have not had time to look at them?

Barry Gardiner: No, Chair, it has taken considerably longer than that. For many months now I have been insisting that British Waterways provide me with these figures and there has been extensive communication, you are absolutely right, between my Department and British Waterways relating to this, and it is only now, at the eleventh hour, that I have been provided with figures which I believe are a proper representation. If I can just try and set out what these figures show, at the top you have the plan for the future that was created in 2002 showing government grant income, commercial income and operating and admin costs. Underneath that you have the actual business plan for 2007–08 and then the forecast as British Waterways believes it to be based on an RPI minus 5%, that is their worst scenario forecast—as you know there has been no decision on the future level of funding but that is what is represented by that middle tranche—and at the bottom, Chair, we have the difference between the two. Now, the significant points that I would like to point out to the Committee—and I believe you have a very substantial interest, as I did, in looking at them—are these. If you look under the Government grant income up until the end of 2006–07 you will see in point 1—and the points are my interpretation of the figures, and I believe an agreed one, while the figures above are British Waterways’—that British Waterways received £8.8 million more grant from government in the 2001–07 timeframe than they themselves had projected in the 2002 plan for the future, and remember 2002 was the basic plan which was supposed to get the whole network in the right condition. Now, by April 2007, the second point, British Waterways had received £71.687 million more income from grant and commercial activities than assumed in the 2002 plan. Now, British Waterways assumes that the future worse scenario is RPI minus 5% for Defra grant going forward. That gives a total grant over the 10 years that is £47.3 million below the 2002 projections that they had. That is their worse scenario of the shortfall in government funding if the future settlement is as bad as they believe it may be. If you look, though, at British Waterways’ commercial income over the 10 years, their projections are that it is £77.9 million above their 2002 projection. So if you simply net off between those two right the way through to 2012, in order to come to the place they believe they would get at, they have a total of £30.1 million more than they have claimed rather than a degree less. Now, the letter that came with this set of figures essentially sets out three points which I think are fundamental for the Committee to understand—

Q433 David Taylor: Could I stop you, briefly?

Barry Gardiner: Perhaps I could round this off because I do think this is important; it is a whole argument. The letter admits that there are factors which British Waterways had not anticipated that made their 2012 target over ambitious, and as a result they have changed their arrears elimination target. So, in fact, their original projection in 2002 about the nature of the arrears they were facing that Table 1 accepted was wrong, and this is not something they have been transparent about up until this point. The second point is that, even taking British Waterways’ most pessimistic forecast for a government grant

¹ Ev 213 (Annex D)
² Ev 210 (Annex C)
settlement of RPI minus 5%, their total income, as I indicated earlier, would be £30.1 million higher than they predicted in 2002, but despite this—despite this—they no longer consider that they will be able to achieve steady state for the network at any point. I think there are some clear questions that arise as to why they have changed their position about the capacity to arrive at an end point with a network in good condition. The third element, and this is again in the letter, relates to the Cotswold canal in particular, a key point which perhaps we should take out of the issues at the moment which are simply focused on the general finance. Now, I am happy to explore any particular questions that relate to this and, as I say, I apologise that this has come to you at the last minute; it is not through a lack of insistence on my part; I have been asking for these figures for months, and it is only now after a considerable pressure that I have been given them.

**Chairman:** Let’s carry on. David Taylor?

**Q434 David Taylor:** You made a big point, Minister, about the fact that government grant income had risen or was in excess of plan in the six years from 1 April 2001 to 31 March 2007 by about £8.8 million, but it is expressed as a percentage of a total of £450 million so it is less than 2% which is not a very substantial sum, is it?

**Barry Gardiner:** No. I do not think that is a fair analysis at all.

**Q435 David Taylor:** Is it not?

**Barry Gardiner:** I do not think so.

**Q436 David Taylor:** Why not?

**Barry Gardiner:** Because what these figures show is that over the period in question, that is over the period during which the £3.9 million in-year cut applied, British Waterways ended up having £8.8 million more than they believed in 2002 they were going to have than they eventually got.

**Q437 David Taylor:** That was in a five-year period. No one denies, least of all British Waterways I am sure, that they have had a genuinely good period since 1997 and towards the end of that, in the last financial year just ended and the one we have just entered, the total reduction in grant has been £7 million in each of the two years; they have said in 2006–07 and 2007–08 there are problems but they should be manageable, and no one is moving away from that. But the key concern that exists both, I guess, in this Committee but certainly in British Waterways is that as we enter the CSR 2007 period, if the level of government grant contribution or the reductions therein are not restored, there will be accumulating problems in terms of undertaking major works that are necessary. Do you accept that is a reasonable response from British Waterways?

**Barry Gardiner:** Well, it might be a reasonable response if it were not for the fact that, as well as their grant income being upped during this period also their earned income is up as well.

**Q438 David Taylor:** Their commercial income, predominantly.

**Barry Gardiner:** Yes, the joint venture and other income that they have received from the Heritage Lottery and so on. So their other income figure is up as well, and so what one is looking at is a scenario under which they had originally worked on the basis of a 10-year model plan which would put the waterways network as a whole into what they believed was a good maintenance condition. They did not in those days use the words “steady state”, that is something they revised and came to look at much more closely at the whole issue of getting it into steady state in 2004–05, but this was the plan—to get the waterways, as I am sure the Committee has heard, to the point at which in 2012 they believed, because of the increase in income coming into British Waterways, government grant in aid would be able to reduce accordingly, not to zero but to a level of funding that was maintaining the network into the future at a fairly low level. What has happened in that period is, and here I have to give credit to the present board in that they are the people who have realised clearly that this plan is no longer fit for purpose, they have accepted that their way of accounting for what they call, if I can get the phrase correctly, the principal assets as well as the non-principal assets which they have now taken account of in looking at the maintenance is actually going to cost them substantially more than they had believed. My point to the Committee is simply this: this is the first time in this letter to me and with these figures that BW have been transparent about their own failure to properly assess the needs of the network over that plan, the problems that they have now realised exist in that plan and the way in which they have perhaps spun things over the past few months has been that suddenly these problems have arisen out of a very relatively modest drop in government funding of 3.9 million.

**Q439 David Taylor:** Are you saying their presentations have been delivered with the intent of deceiving the general public? Are you talking about spinning in that sense?

**Barry Gardiner:** Let me simply say this: the way in which for a long time BW have linked the in-year accounts with their capacity to maintain the network into the future in the way that they wish to has not been clear. We now have that clarity and that clarity shows there has been a failure to properly account for the depreciation on the principal and non-principal assets of the network such that they have now again admitted here publicly, I believe for the first time, that they have to revise their corporate plan so that the total of DE assets is now to be no greater than 15% by 2016–17 rather than previously in the 2002 plan no greater than 10% by 2012. That is a mistake in their modelling, it is not as a result of any lessening of grant from central Government.

**Q440 David Taylor:** We need to dispel some of this statistical fog that is being generated. I think in the five years that have just ended British Waterways acknowledge from the table that they produce for
you that they have had eight million, and you corrected me and I am glad of that, more government grant than they had anticipated, but in the next five years it is going to be 55 million less, is it not? That is correct, is it not?

**Barry Gardiner:** I am sorry, let me be clear. That is their projection under a worst case scenario of RPI minus 5%. That is nowhere yet an agreed element between the Department and themselves, this is their modelling of what they think the worst situation might be.

**Q441 David Taylor:** Have there been any tripartite discussions yet of any kind between Treasury, Defra and BW about the possible shape of grant into the short and medium term?

**Barry Gardiner:** There have been a whole load of discussions.

**Q442 David Taylor:** Tripartite?

**Barry Gardiner:** No, not tripartite. What there has not been is clarity in the figures up until now and that is what I have been seeking to obtain and finally believe I have obtained.

**Q443 David Taylor:** Do you accept that £124 million per annum figure that has been quoted as necessary to maintain the network in steady state?

**Barry Gardiner:** That is the figure that has been quoted.

**Q444 David Taylor:** Do you accept that figure?

**Barry Gardiner:** What I can say is that nowhere in BW’s current proposals under their scenarios as they have set them out, even in line with their 2002 projection and the whole Waterways for Tomorrow plan, do they believe now that it is possible to get to steady state. The whole point here was BW was trying to move the network to a steady state point where it would take that amount simply to keep it ticking over and doing nicely with maintenance balancing out the depreciation. That is not what they now believe.

**Q445 David Taylor:** Okay. Have you ever in any previous life pre-1997 tried to do any long-term financial planning in relation to assets of the kind that British Waterways are dealing with, 200 year old assets with all sorts of unpredictable and non-perceivable problems associated with them? To actually slate them for being 2% out in terms of government accounting is hardly a fair—

**Barry Gardiner:** No, no. You absolutely mistake me. I do not slate them at all for getting it wrong. I slate them for not being transparent and saying when they find out that they have got it wrong, “We got it wrong and we now need a new model”. We now know that is the case because of the letter that I have received from the chairman and because of the figures that have been set in front of us. Of course, if you are dealing with a situation like British Waterways have where the waterways were left to go to rack and ruin for 20 years and it is a 200 year old network, that is why I would absolutely reinforce all I have said with saying that we are in danger of

**Q446 David Taylor:** Can I ask this in all humility and as neutrally as possible. How on earth can an organisation like British Waterways, as you have described it, somehow realise they have got it wrong in relation to, say, projection of commercial income in 2011–12, which is five years away. This is economies of the madhouse, is it not?

**Barry Gardiner:** I am sorry, that is not what they have realised. If you look at their projections for the future, their projections for the future improve. If you look at the figures you have in front of you, you will see the reason the projections for the future improve by as much as they do is also due again to something which was not predicated in 2002 or in Waterways for Tomorrow, and that is the restructuring operation. If you look at the penultimate line before the double line at the bottom, operating and admin costs for 2007–08, 2008–09, 2009–10 and 2010–11, you will see there is approximately £53 million to the good that is in there as a result of the restructuring, something that was not anticipated at all in the previous plan.

**Q447 David Taylor:** That is a five year period that we are about 24 days into. How on earth can we know that it is going to be to the good in the way that you are describing, Minister?

**Barry Gardiner:** I am sorry, but all large organisations have to do financial modelling. These are not my figures, these are BW’s figures, and that is the relevance of them, because these are the figures that BW are working to. What I am pointing out here is if you look at the plan for the future in 2002 you will see that in 2002 they had predictions in those years that showed deficits of £179 million, £184 million, £192 million and £195 million on their operating and admin costs. Those were hits on their bottom line. They now believe that those will be substantially reduced and you can see the operating and admin costs on the actuals basis and their forward planning basis and that represents £6 million, £16 million, £16 million and £14 million in the coming period to the good. I am not criticising them for a change in those figures, I am delighted that they have put in that plan to improve the figures. It is not for me to challenge their figures but it is for me to point out that actually on that basis they are going to be getting in far more than they had originally projected and yet they no longer believe that they are able to get the network to the point that they had originally intended.
Q448 David Taylor: So you would rebut the criticism then that the relationship from Defra to BW is not along the lines of “do as we say, not as we do”, in that you are expecting a quality and accuracy of financial planning from a part funded agency that is notoriously and noticeably utterly absent from Defra itself?

Barry Gardiner: No. Let me make that absolutely crystal clear, yet again. I am not criticising them for getting their modelling or planning wrong. In any sort of enterprise over a 10 year period with a network like this, as you have pointed out, it is inevitable that there will be variations year-on-year, that there will be pressures that arise in-year that they have to cope with and that will then push on to further years to change their figures. That is inevitable. My point is that in order to be able to work together with partners there has to be transparency about the changes that take place. My criticism is that that transparency up until Friday evening did not exist.

Q449 David Taylor: So will BW be able to meet its statutory obligations, in your view, on the reduced funding stream over the next five years?

Barry Gardiner: If you read the figures in front of you, you would realise that they are not a reduced funding stream, indeed their income stream is greater.

Q450 David Taylor: Government funding stream, I should have said, my apologies.

Barry Gardiner: If you are talking about the reduced grant-in-aid then clearly the point is given that they will have £30 million more than they believed they would have, on their original premises one would suppose that they should. The fact of the matter is that their original premise would appear no longer to hold good, and that is the source of the problem and what we now need to work with them on, and I am committed to working with them on, to resolve and get to the bottom of.

Chairman: Thank you, David. I admit to having a sinking feeling, metaphorically and literally, because it seems that the basis of the inquiry we have been conducting has been at least on a parallel universe. I am going to ask Michael Jack, who loves these conducting has been at least on a parallel universe. I

Q451 Mr Jack: I do not think I can provide clarity but I do want to ask the Minister one or two important questions. The picture that he has just put before us is of an organisation which reports to Defra which has, in his judgment, not reported with clarity. Looking at the Annual Report and Accounts for 2005-06, I presume that your Department accepted those as a true and accurate record of the financial position of British Waterways at the time?

Barry Gardiner: I am sure that they were signed off as such.

Q452 Mr Jack: If you have discovered by virtue of inquiry that there is now a very different, in your judgment, financial position than perhaps the one when you took responsibility for this portfolio, what was it that alerted either you or your officials to the fact that something was not right?

Barry Gardiner: Let me simply say this: I saw the amounts of money that are now predicated in the income stream for BW, double what they were when this Government came in in 1997, and saw the investment that had gone into the network in the meantime and, indeed, had been told by both the chairman and the chief executive, I think only a few weeks into my post, that we were going towards a horizon in 2011-12 at which we would be able to see progressively government grant-in-aid reduced because the bulk of the income stream then would be coming in on course. That was clearly their understanding at that time. I believe that somewhere between then and now they have realised that the horizon of 2012 is an unrealistic one. I have been pressing them, as I have said, for many months to clarify to me how they were going to reach the steady state future that they had said was possible by the input of £124 million a year and through a grant-in-aid which I think was of the order of £35 million, or that may be £35 million on the major works figure that they had predicated upon. Continually I did not get the satisfactory explanation that I wanted and had to apply greater and greater stridency in my approach in order to secure that. I believe we now have that and once you look at the letter that the chairman has prepared, I think that you will see there are those elements that I outlined to you where they accept there have been pressures on the network they had not accounted for under the original scenario.

Q453 Mr Jack: When you say there are “pressures on the network”, could you just explain what you mean that?

Barry Gardiner: Yes, indeed. Let me give you an example, and they are adumbrated in the letter itself. They had not taken into account, I believe, than every time they expanded the network, and do not forget they have expanded it by 10% over the past eight years, there were new principal assets which they then had to maintain and the maintenance of those had not been factored into the programme; a very simple error in the calculations. There were other elements of the corporate plan that did not take account of other aspects of the demands on the network, what they call non-principal assets, which they have now factored in, I believe, in their view that they cannot reach a steady state by 2012. This is a clarity which I welcome. As I said to David Taylor, I have absolutely no wish to beat them with a stick for not getting it right in the first place. What I am cross about, quite frankly, is that they did not make it clear to me, when it must have been clear to them some weeks or months ago, that they had had to revise their projections accordingly such that they now believe in the latest corporate plan the total of DE assets, which as you know are the ones where it is critically important to make your intervention then
before you get to collapse, that should be no greater than 15% rather than no greater than 10%. That is the level of magnitude between their corporate plan as it was and their corporate plan as it now is, but it has taken a long time to get clarity as to why there has been that difference.

Q454 Sir Peter Soulsby: Minister, you have clearly made some fairly serious allegations about BW’s handling of their relationship between themselves and your Department. The clear implication of what you have said—correct me if I am wrong—is that they have wilfully withheld information from the Department or wilfully misled the Department. Is that right?

Barry Gardiner: Until I have a very direct conversation eyeball to eyeball then I am certainly not going to make any allegations of that nature.

Q455 Sir Peter Soulsby: With respect, Minister, you have accused them of not being transparent, of failing to assess the needs of the network, of failing properly to account and of failing to respond for many months. That sounds to me like an accusation of wilfully failing to co-operate with the Department.

Barry Gardiner: As the Chairman said earlier, they have been pretty well in daily contact with my Department. They have provided us with information in response to the requests that we have put to them but in my view that information has never been adequate and has never got to the heart of the matter until now.

Q456 Sir Peter Soulsby: Minister, as you will have realised I am a former Vice-Chairman of British Waterways and I am going to try and avoid the temptation to defend them, but nonetheless they are very serious accusations you have made today. I wonder whether you would be prepared to make available to the Committee all of the correspondence relating to some of the other issues that I know the Committee have been keen to explore in terms of the regeneration strategy of BW and indeed the Government, has not had a reasonably easy existence certainly over the last six months. What you are saying today is if the numbers are wrong globally they are also wrong locally. How can I go back to the canal volunteers and give them confidence that they are dealing with an organisation that can work in partnership and, more particularly, can get its numbers right?

Barry Gardiner: Let me make a general point first, if I may, and then a specific one in relation to the situation with the Cotswold Canal. BW have worked very successfully with a number of partners over the past 10 years to great effect and to huge public benefit, that is undeniable. They are capable of working in partnership. They are an organisation that has been given a level of freedom from Government, not as much as they may wish and not as much as they perhaps could have, to pursue that partnership and to achieve enormous public benefit, and that is what they have done. In relation to the Cotswold Canal, the element of the chairman’s letter, which I know will be of particular interest to you as Chairman but also to the rest of the Committee, is where the chairman makes it clear, and this is a direct quote: “BW would have been reluctant to carry the risk in the current scheme with or without grant cuts.” What that indicates to me is that in any development of this nature there is a risk assessment to be made at the beginning and that risk assessment may change over time, but certainly the current estimate of risk by BW is that in return for the investment that they were supposed to make in this project they would not receive an appropriate return. That is their current position. It may not have been their position at the beginning but it is clearly their current position. They say that would have been the case, “with or without grant cuts”. Clearly this is a major regeneration project, I think it is about £100 million we are looking at in the regeneration potential here, and the public benefit accruing from that is quite enormous. It may be right—it may be right, I say no more than that—that those who will actually accrue greater financial benefit as a result of that project going ahead ought to bear a greater proportion of the risk that attaches currently as things are structured to BW. I understand that BW are meeting with Stroud District Council this afternoon and they are looking to try and get a way forward on this project. I do not

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Q458 Mr Jack: Could I just seek a bit of clarification on the figures you have put in front of us because they have taken some digesting.

Barry Gardiner: I agree.

Q459 Mr Jack: If I have understood what you have presented us with here, we are looking at a situation where the Government’s grant income, if we take the position forward starting at 2006–07, you are reducing your grant income by roughly 60 million and there is roughly an increase of around 26 or 27 million from earned income.

Barry Gardiner: Can I just correct you because I would hate to see that in the record unchallenged. Let me just remind the Committee that is not what we are doing, it is BW’s worst assumption of what we might do, that is RPI minus 5%. These are not figures on which anybody should leave this room saying, “That is what the Government is going to do”, this is the worst assumption that BW have used in their projections.

Q460 Chairman: Did you ask them to do that assumption?

Barry Gardiner: No. We asked them for their assumptions, we did not say, “You ought to use that as the basis for it”.

Chairman: It is the first public body I have ever known that puts a worst case scenario instead of something they would be almost prepared to face up to.

Q461 Mr Jack: Let me ask you a simple question, Minister. When your Department made its submission as part of the Comprehensive Spending Review to the Treasury, what figures did you put in?

Barry Gardiner: I will certainly write to you about whether I can give you that. I cannot tell you with certainty what that was. Let me be clear: RPI minus 5% has certainly been discussed between my Department and BW but not agreed.

Q462 Mr Jack: Whilst these figures illustrate from your standpoint a lack of transparency and, to a degree, accuracy from British Waterways, the hard reality is over this time period there are assets which require to be maintained.

Barry Gardiner: Yes.

Q463 Mr Jack: There is income to be derived and there is a gap. Part of that gap is made up from your Department and the other part of the gap is made up by the income derived from property and other transactions which British Waterways indulge in. I think from our point of view we are going to have to ask British Waterways perhaps to try and give even greater clarity as to exactly where they see the situation because, as you rightly point out, this is a projection on RPI minus 5% but the real question is what is going to be the actual income coming from your Department, which was why I asked the question as to what number you put in in terms of the Comprehensive Spending Review. What is equally interesting is that they have shown a projected increase in their commercial income compared with planned 2002. It is an interesting question to ask where they are getting that additional income from. The other thing I am intrigued with is I am assuming the line where on these sets of data “operating and administrative costs” are, these are in fact the projected figures for the costs of running their organisation and maintaining the organisation, is that right?

Barry Gardiner: Sorry, could you just say that again?

Q464 Mr Jack: The line which says “operating and administrative costs”, I am assuming that is the total cost of operating and maintaining the canal network and running British Waterways, is that right?

Barry Gardiner: Yes, indeed.

Q465 Mr Jack: It is just the Defra figure which is the RPI minus 5%?

Barry Gardiner: Indeed, and only then from 2008–09 onwards.

Q466 Mr Jack: Let me ask this question for my clarification. On the line “operating and administrative costs” in the revised forecast figures there does appear to be on the face of it year-on-year from 2006 through a reduction effectively in the actual operating costs of the system, is that right? Year by year, apart from 2006–07 when it goes up by about five million and then it is about six million down and—

Barry Gardiner: No, sorry, that is not correct. If you look at the middle line, the middle line shows 173.848—the middle of the three blocks—it is that figure there.

Q467 Mr Jack: £173.848 million is roughly—

Barry Gardiner: It goes down to £168.281 million in the following year, up to £175.815 million the following year and up again in 2010–11 to £181 million. So it does not go down in the way that you suggest. The point is that the black figures, the figures under “operating and administrative costs” under the block that says “difference” is actually the saving over their original 2002 projections.
Q468 Mr Jack: Yes, you have made the point that I was trying to make. What I am intrigued to know is why these costs have in actual fact come down.

Barry Gardiner: Because of the savings of the restructuring plan that BW have now brought in.

Q469 Mr Jack: Those are purely restructuring savings, right?

Barry Gardiner: Absolutely.

Q470 Mr Jack: They have nothing to do with the amount of maintenance on the system. Let me just ask this question: in the light of these revelations, a figure of around £95 million of work still to be done has been projected. Is that a figure that you recognise and is it still valid?

Barry Gardiner: If I can give you the latest update, because I tried to bottom it out before coming to the Committee today. In his letter to me the chairman had used a figure of £107 million where previously it had been £97 million. The response that we received was this: “At the start of 2006-07 our remaining arrears were calculated at £119 million. We originally planned to spend £25 million. This would leave £94 million but you have to add back inflation at 3% which results in £97 million remaining at the start of 2007-08. However, we will have only spent £15 million on arrears in 2006-07 leaving £104 million plus 3% equaling £107 million at the start of 2007-08”. That would imply that although they had a budget of £25 million available for the maintenance backlog in the past year, 2006-07, they only spent £15 million of it.

Q471 Mr Jack: Are you able to help the Committee? If £107 million is the backlog figure, against these revised numbers how much of the backlog is going to be achieved over the forward five year period?

Barry Gardiner: The point is the reason the 2012 target has moved is not grant, it is not commercial income, the reason is due to the change in the estimate of the costs to get to steady state and the arrears that one has to include and the maintenance one has to include in that. This is the first time that either you or I have had those assumptions clearly presented and financially tabulated in this way. It is now incumbent on me and BW to sit down and work through precisely that question that you have posed because, of course, at the end of the day it is not whose projections were right or wrong or whether they have got more or less money than they thought they were going to have that actually matters. What matters is do they have enough to do the job that Government has set them and which they have got a statutory obligation to do, that is the important matter, but we could not begin establishing that until we had this clarity.

Mr Jack: Does it not raise in your mind a question mark about the effectiveness of Defra before your watch to be able to monitor the activities of BW?

Chairman: Are there daily phone calls? One would love to be a fly on the wall to see what actually happens.

Q472 Mr Jack: It comes as a bit of a surprise that year-on-year you have all been agreeing the annual accounts. I notice that they are all supposed to be certified by the accountants and everything is accepted as bona fide, when all of a sudden you come along and say, “I’m not getting the clarity I need”.

Barry Gardiner: Let us be clear here. Nobody is questioning the annual accounts that were previously signed off. What we are talking about here is how one progresses on a structured business plan to a desired end point or stability point for the network. That was what I queried. I did not go back and say, “I think the figures you gave us in such and such a year were not the correct ones”, I said, “I do not see, given the money that is going in, how it is that you are not able to get to steady state as a result of effectively a £3.9 million grant being cut mid year”. You have to remember that the context in which this came to the fore was that suddenly at that imposition of what is effectively a 3% cut in the annual budget, albeit midyear through the year, it appeared that the whole system had gone into meltdown. I did not believe that for a moment because I have worked in organisations and had to budget in situations where you have had to cope with a lot more than 3% budget pressures in-year. To me, that was what seemed unrealistic and that was why I pursued the issue to try and establish what other assumptions had actually changed here, and ultimately we found that quite a lot had.

Chairman: Can I just call David Lepper, who has been very patient.

David Lepper: It has been fascinating, Chairman. The Chairman started earlier this afternoon by saying this was the final session of this sub-committee but I am beginning to think it might not be the final session.

Chairman: I fear not!

Q473 David Lepper: It was just a point of detail I wanted to pick up. Minister, you quoted from the accompanying letter, which we have not seen yet but you are going to make available to us, specifically about the project that we saw last week when we were in Gloucestershire.

Barry Gardiner: The Cotswold Canal.

Q474 David Lepper: We will discover this in the letter ourselves but all I wondered was does that letter deal in a similar kind of detail with other projects of British Waterways other than the one you have told us about?

Barry Gardiner: No, it does not.

Q475 David Lepper: That clarifies that point.

Barry Gardiner: I do not know whether that is helpful or unhelpful.

David Lepper: There may be those in the public gallery who, having heard those particular comments about the scheme in our Chairman’s constituency, might begin to wonder about some projects that are dear to their hearts and what British Waterways’ new judgment on those projects might
be. At least it is helpful to know that there are not further revelations about other projects, we assume anyway.

Q476 Chairman: Just to follow on from that, the fact that there are not revelations today does not mean that there are not revelations to come. I do think that one of the issues that some of us would like to take up with BW, given in the evidence we were given, unless I misunderstood it, is that there was not a longer term fear, there was a temporary revenue problem, unless Stroudwater is the sacrificial lamb there may be some other problems coming elsewhere and perhaps Defra would like to know about that.

Barry Gardiner: With respect, Chairman, I think that would be to misinterpret the words of the chairman in relation to the Cotswold Canal. I take from his words and my understanding, and this is my gloss on what he says rather than what he does say, would be as follows: that the original risk assessment of the project was clearly one where they believed it was a reasonable risk to undertake in relation to the return that they were due to get from it. Perhaps because of issues of planning or other factors that may have delayed the project in one way or another they have revised their view about the reasonableness of the risk accruing to BW because, of course, BW will not be getting the bulk of the return on the investment and they have therefore sought, I believe initially, if I am correct, to approach their partners to underwrite elements of about £8 million worth of risk which they believe need underwriting here and now in their discussion with Stroud District Council to reallocate that risk. That is something which it may be a very reasonable thing for them to do, I do not know, I make no judgment on that, but the point the chairman makes himself, in fairness to him, is that knowing what they now know they would have been reluctant to carry the risk in the current scheme with or without the grant cuts. What he said was actually the 3.9 million and their projected RPI minus five% does not make a difference to their judgment of the balance of risk and return in this particular development. To me, that would indicate that they do not believe that this, as you suggested, is a precedent for problems arising in other places. It is a localised assessment given what has happened, given the delays that have happened on this project as to where the proper balance of risk and return lies. I hope that is a fair interpretation of what he said.

Chairman: I could say more but I think it is inappropriate at this time. Peter, I do not want to extend this any longer because we need to do some re-examination of our own inquiry, to put it no more strongly than that.

Q477 Sir Peter Soulsby: To take note of what you have said, Chairman, there were a lot of areas of questioning we might have gone into this afternoon. I just want to try and draw together what you have said to us, Minister. Is what you are saying to us that on the basis of the information you have got now from British Waterways in broad terms you are now convinced that they have more than enough resources to do the job properly?

Barry Gardiner: No, it is not. I believe that what we now have is a basis to examine exactly how we can get to a point of putting the waterways into that steady state if we can, but what is now clear is that the belief expressed in Waterways for Tomorrow and in the 2002 plan that that was a clear possibility with a delineated timescale through to 2012 was mistaken. I do not believe it was falsified, I just believe it was mistaken. We now need to revise everybody’s understanding in the light of the revision of their assumptions that BW have made which we have now been able to share.

Chairman: I propose to end it there because although, as Peter said, there were other lines of inquiry we would have liked to have pursued, such is the change in our financial understanding of what is going on, at the very least the Members would like to re-examine what they have been told and where they go from here. Minister, rarely have I had a session where a minister has come and completely changed the nature of what our inquiry was about. You have been helpful but I am not going to let you come back and have the last word. I think it is useful that you have been frank with us. As was alluded to, it is unlikely that this will be the last session because at the very least we have to think about what report we write and if the Chairman of this particular Select Committee’s investigation is anything to go by, I am not quite sure what report we will write until we have taken other evidence, whether that be in oral form or, indeed, in written form. You did tell us that you were willing to disclose both the letter from the chairman, which would be useful, but more particularly some of the correspondence to see how we have got to where we have got to. If we can have that fairly quickly that could give us the opportunity to move on with this because this Committee sometimes does get stymied by the fact that events overtake it and we would like to push on and come to a conclusion, if for no other reason than we can get some clarity as to what is going on and how we might help that rather than hinder it. I thank you for your evidence. As I have said to every previous witness, what you have said certainly cannot be unsaid and what you have presented to us cannot be unrepresented. We will almost certainly be asking for further information but, given what we have been told today, that is not at all something that you will be surprised to hear. I am sure that some people will be reading the Select Committee findings with great interest because it has been a revelation to us, if not to anybody else. Thank you, Minister.
Supplementary memorandum submitted by the Department for Environment, Food and Rural Affairs (BW 47a)

BW ACTION ON COMMERCIAL FREEDOMS

1. BW has been in discussions with Defra over its desire for commercial freedoms which could provide it with greater flexibility and future commercial income, namely
   — Wider development powers so as to undertake regeneration and development in the vicinity of other waterways.
   — Freedom to borrow commercially. Treasury rules prevent this at present.
   — Land dowry to manage as per London Docklands and Liverpool Waterfront.

2. BW has not yet come forward with firm proposals for necessary action to secure the commercial freedoms it would like. Officials met with BW and agreed a way forward at a meeting on 14 November 2006. Barry Gardiner subsequently asked BW to come forward with clear proposals including any legal changes that would free them up a meeting on 27 November. Officials have reminded BW, last time on 6 April.

3. It is disappointing that BW has been in contact with others about these commercial freedoms it would like, as evidenced by the following:
   — BW/IWA made proposals to Economic Secretary, Ed Balls, at a meeting on 3 November (ie before meeting with Defra) in his constituency for greater powers for BW. This led to the attached exchange of Emails between Defra and Treasury (Annex A).
   — Tony Hales wrote to the Speaker on 22 November claiming that Defra unwilling to support/help secure commercial freedoms (Annex B).

Department for Environment, Food and Rural Affairs

April 2007

Annex A

Email of 21 November from Treasury to DEFRA on BW Commercial Freedoms

Following the meeting on British Waterways on 3 November, the Economic Secretary (EST) Ed Balls, has come back with a number of points which attendees raised over lunch on which he would like an answer. Grateful if you could help.

1. To remove the limit on British Waterways only investing in property besides it own waterways. Perhaps allowing BW to invest in property beside the waters of other waterway operators eg the EA. Eventually, over a period of time, moving to unrestricted property development.

2. To allow BW to borrow commercially to maximise its opportunities for investment.

3. In moving BW to potential self-sufficiency, giving BW a dowry of land from the Government’s own holdings has previously done with London Docklands and the Liverpool Waterfront. This may help kick-start them on the road to self-sufficiency.

4. A contractual grant for BW during the CSR years to protect them from further GIA reductions, and to provide planning certainty so they can move to self-sufficiency.

These options were discussed over dinner, and are not an indication of our future policy. Nevertheless the EST would value an indication of feasibility of each of the above.

I need to respond to him by 27 November. So grateful for a response by close Friday if possible.

Annex B

Letter to the Speaker, The Rt hon Michael Martin MP, from British Waterways

Thank you for your interest in the waterways, which play such an important role in the life of the country, as you know from your own constituency.

As you are aware, British Waterways is under some pressure at the present time. This follows a very successful period when British Waterways’ performance has been consistently praised and recognised by Ministers, the public and the Shareholder Executive in terms of:

1. delivering a broad range of public benefits—social, environmental, heritage, public safety, economic regeneration, as well as improving the basic infrastructure,

2. doing this efficiently, on time and within agreed budgets,
3. showing exemplar enterprise in generating commercial income to deliver public benefit by working its assets harder than any other navigation or park authority,

4. creating extraordinary leverage from the Defra funding (for example the Board are currently reviewing two projects: (a) the Cotswolds Canal restoration involving £3 million of BW funds to kick start a £25 million scheme, and (b) the Olympic Water City where BW will fund £1.2 million of an £18 million scheme).

Both of these major projects are the catalysts for wider economic activity, indeed overall BW estimate that its activity is currently supporting £6 billion of regeneration activity.

British Waterways recognised that Defra had a budgetary problem in the current year and moved quickly to deal with the cash shortfall this caused BW. We have also moved quickly to accelerate cost reduction programmes, as a result of the cuts. Clearly our stakeholders, in terms of the user groups, are less understanding of cuts, necessitated by problems elsewhere. These groups have a long history of campaigning, developed when the canal system was last being threatened and honed over the years whenever BW was insensitive to their position and indeed nationally, through the 250 riparian MPs.

Our concern is the long term funding. In negotiation with officials, much lower figures per annum have been put forward compared with the £62.6m in 2005/06 and the £55.4m in 2006/07. Our executive team believe the minimum long term level of funding, under the current status, is £62m per annum. It must be recognised that the extra pressure of environmental legislation (which we understand) and the rigorous legal obligations of maintaining a 200 year old network (BW are the third largest owners of listed structure in the UK), is driving our cost base faster than inflation. Nevertheless we are committed to reduce costs by 1% real per annum through efficiencies. Without this level of funding, the infrastructure will deteriorate at first slowly and then on an accelerating basis.

Although there is encouragement to identify creative ways of resolving this gap, there seems a lack of will to grasp the nettle. For example, Defra could support:

(i) The transfer of underutilised land assets to BW—we have demonstrated our entrepreneurial flair with such dowries in the past
(ii) BW acting commercially alongside other waterways where it is not the navigation authority
(iii) Reviewing BW status so that it can borrow commercially
(iv) Providing secure long term funding through S.106 or Planning Gain Supplement.

We realise the current situation is damaging for all parties. BW’s management is very uncomfortable between the angry user groups and a department, who wants to move on. It may be time for a broader review of BW perhaps led by the Shareholder Executive, whose people understand the challenges we face as a commercial business. BW has been a jewel in the Defra organisation, a rare organisation that is universally supported by the public and has been seen as a credit to the Defra team. Ministers have enjoyed their involvement with BW, because it delivered in an effective and visible way. That is the relationship we want but there is currently a gap between Defra funding issues and the long term future of the waterways.

**Tony Hales**
Chairman
British Waterways
22 November 2006

### Annex C

**Letter to Barry Gardiner MP, DEFRA from British Waterways**

You have asked for clarification on a number of points but before addressing these let me say that we all recognise that Defra are under Government financial pressures. Starting with the 2012 Arrears target that was originally set out in 2002, at that time BW estimated a backlog of maintenance arrears on principal assets of approximately £200 million. The target in 2012 was defined as the number of assets in category D&E should not exceed 10% of the total. Since that time maintenance work has continued on the Arrears to the point where the original D&E percentage of 30% has been reduced to 21.7% as at March 2007.

The actual profile of reduction from the original D&E percentage of 30% is shown below.

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<td>21.7% approx</td>
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In last year’s BW Annual Report we reported that as of March 2006 the balance of outstanding arrears was £119 million. We estimate that the balance at March 2007 will be around £107 million. In the 2001–02 Annual Report, the arrears graph on page 17 shows that we predicted the outstanding Arrears liability to be in the region of £110 million by 2006–07.
With a grant cut on the scale recently announced it is fair to say that this has put increased pressure on BW’s ability to achieve the 2012 target. It is also fair to say that there are other factors that will cause the target to be achieved later than anticipated. These are described below.

The Arrears 2012 target was set in 2002, at a time when there was a chronic problem with the state of the Principal Assets. Reducing the asset maintenance Arrears was at that time a top priority. As we have reduced the Arrears we have sensibly dealt with the most serious ones first, allowing us to take a broader view of the network as a whole. In recent years BW’s asset management approach has improved and this had been refined. As progress has been made on reducing Arrears other priorities have emerged that have now become a chronic problem. There are over 11,000 Non Principal Assets (eg weirs, feeders, culverts, embankments, by-washes etc) that are in a very poor condition and which fail regularly causing disruption, customer dissatisfaction and excessive remedial cost. In recent years some funds that were budgeted for Principal Asset Arrears have had to be reallocated to deal with these issues but the diverted funds are relatively small.

Other costs have increased, such as dredging where the environmental disposal requirements have increased costs markedly. Dredging arrears are, however, a relatively small part of the original Arrears liability.

In addition, there have been asset repair costs relating to restored canals that were not within the original Arrears liability. Examples of this are the Rochdale Canal and the Ribble link. These have been funded from the Major Works budget.

The Arrears concept was a narrow one and did not take into account the wider population of assets that also need maintenance. To address this BW has developed a new Asset Management Strategy, which has been discussed with Defra in detail. The latest BW Corporate Plan provides for funds to be allocated to maintain and repair Non Principal Assets as well as Principal Assets. As a consequence of this changed strategy, and also because of reduced funding levels, the Arrears elimination target has been redefined in the latest Corporate Plan to be total D&E assets being no greater than 15% by 2016–17 approximately, subject to funding assumptions.

BW has to do the best job it can with the resources available and has evolved its asset management targets in a pragmatic manner in the context of the available funding and the need to address the most pressing priorities.

The Steady State cost model estimates the funding required to keep the entire network in a constant state of repair, as defined by Customer Services Standards. We estimate that this Steady State cost is currently in the region of £124m pa of which approximately £35m pa is reserved for Major Works (the collective terminology for Principal Assets, Non Principal Assets and Major Dredging). The Steady State model is a large piece of work that has been developed over the last three years. It endeavours to estimate the annual cost of a planned maintenance regime in which all assets are already at a minimum acceptable of “Steady State” condition.

In 2007–08 BW has available £27.5 million to spend on Major Works and is therefore short of the annual Steady State cost by £7.5 million per annum. The consequence of this is that the network, as well as the assets, will continue to remain below what BW defines as the Minimum Acceptable Standard. There will be arrears on all assets and on general waterway maintenance. To get to a Steady State condition it will require more than the Steady State cost budget to improve the overall standards and remove arrears of all types. Steady State will therefore not be achievable under the funding currently available. However, BW applies the available funds to the priority issues such as safety and customer service standards at popular destinations. The Corporate Plan shows that the percentage of Principal Assets graded D&E will fall from 21.7% in 2007 to 19% in 2011—a useful improvement. The Corporate Plan also provides for funding to deliver general waterway standards at 85% of the Steady State, or Customer Service Standard.

However, it must be recognised that all assets in the 200 year old system are gradually deteriorating. To obtain Steady State, money needs to be spend on preventing A grades slipping to B, to C and so on. At each point of decline, the cost of reversing that deterioration increases. At no point in the current projections do we achieve Steady State condition and at no point do we spend £124 million per annum on the network and assets.

Turning now to commercial income, the total commercial income, arrears expenditure and operating costs predicted in the Plan for the Future 2002 are summarised on the attached schedule together with a comparison of the actual results. It can be seen that over the 10 years earned commercial income has exceeded and forecast to exceed, the 2002 Plan by £77.9 million. By contrast Government grant is forecast to be £47.8 million below the plan for the same period. Note also the increase in operating expenditure in 2003–05. This was due to the London Docklands “Density Cap” capital profits being invested in the waterway network and assets. In the years 2007 to 2011 the operating costs are forecast to be below the 2002 Plan due to efficiencies and also reduced operational spend caused by the lower funding position.

Moving to the Cotswolds, I included this in my letter as this is the most sensitive restoration scheme in which we are involved. Passions are running high in the local area and with the waterway movement generally. BW would have been reluctant to carry the risk in the current scheme with or without grant cuts. The grant cuts leave no scope for the Board to carry that risk. We have gone back to each funding partner to see if they will increase their exposure but so far the response has been minimal. We have now invited Stroud Council to take over the property risks associated with Brimscombe Port. They would then suffer
or gain from the ultimate developer’s profit or loss. An £11 million land purchase is a substantial outlay for a small Council and it is beyond my competence to know the issues they face. If they were able to accept, we are likely to proceed as a reasonable share of the risk is transferred from BW to Stroud. Cancellation of the scheme has knock-on effects including the £100m of regeneration indicated and the certain collapse of the Big Lottery Fund bid for Stage 2, which has progressed through the initial rounds. Frankly, I don’t know whether there is anything that the Department can do either through influence or in concrete terms, but given the impact of this decision when it is made, I felt you should at least have an opportunity to engage on this if you wished.

Tony Hales
Chairman
British Waterways

20 April 2007
### Comparison of Plan for the Future 2002 against Actuals/BW Projections 2007–08 – 2010–11 (assuming RPI-5% Defra grant)

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<td>8,055</td>
<td>(7,640)</td>
<td>(3,727)</td>
<td>4,942</td>
<td>947</td>
<td>22</td>
<td>(1,008)</td>
<td>2,208</td>
<td>2,187</td>
<td>6,850</td>
</tr>
</tbody>
</table>

**Key Points**

1. BW received £8,882k more grant from Government in the 2001–07 timeframe than projected in the 2002 Plan for the Future.
2. By April 2007, BW had received £71,687k more income (from grant and commercial activities) than assumed in 2002 Plan.
3. BW assumes RPI-5% for Defra grant going forward; this gives total grant over the 10 years £47,838k below 2002 projections.
4. BW earned commercial income over the 10 years is £77,985k ahead of 2002 projections.
5. The Total Extra Income for BW by 2012 over the 2002 projections in Plan for the Future is £30.1 million
Further supplementary memorandum submitted by the Department for Environment, Food and Rural Affairs (BW 47b)

I am pleased to supply further material as requested relating to the information flows between BW and the department on the subjects covered in my hearing before your committee on 23 April. I am sorry this has taken a little longer to put together than you had requested.

I should start by reiterating my central message. BW have to date received £8.9 million more in grant since 2002 than they were then projecting. And over the period 2002–12 they project that, even on an assumed CSR settlement of 5% real cuts pa, total revenues would be £30.1 million higher than they had assumed in 2002.

The latest projections also clearly demonstrate that despite this the waterways will be in a worse state than they had projected in 2002 due to a range of changed cost and investment assumptions: they had thought that category D and E arrears would be 10% in 2012, but their revised asset management strategy target puts this at 15% in 2016–17.

This is critical information for the debate about our waterways, which I felt the committee must have if issues around the projected condition of the waterways and how this has come about are to be transparent. The Chairman of BW’s letter to me of 20 April enabled me to set before the committee all the facts as we now have them.

What I have been seeking from BW is clarity about all of the reasons for BW’s inability to achieve their 2012 target and clarity about how a long term settlement could lead to a steady state for the network. Ultimately in seeking this clarity I asked for a specific comparison between projections undertaken in 2002 and the outturn/current projections—and it is this that we now have, along with a clear up to date assessment of the state of the network.

Turning now to the material attached, can I first point out that we cannot release material related to the Department’s position on the CSR as this is policy in progress—the settlement is not expected until later this year. Can I also correct one fact on which I inadvertently slightly misled the committee. The projection based on a 5% real cut in grant pa was not the worst case, it was the fourth worst out of five cases. The cases had been worked up with my officials, but the projection used in the chairman’s letter should not be seen as the CSR settlement: as I have said such a settlement for Defra has not been agreed by Treasury and after that the Department has to make its allocations. However, the committee is, of course, aware that there is going to be a tight spending review settlement for Defra, and it would be idle to deny that there are strong pressures the implications of which we have been fully investigating.

The main document I attach is a letter from the chief executive of BW, Robin Evans, to Sabine Mosner, the then head of BW and Environment Agency sponsorship. Whilst I had been briefed on the CSR discussions which led me to seek clearer projections to steady state under different scenarios, I had not seen this letter. It summarises a considerable body of email and other traffic between our organisations. It shows that the department was aware of some of the changes in projections regarding the state of the waterways: I draw the committee’s attention to section 8, and to paras 8.3.8 and 8.3.10 in particular. It states:

“Our original target was to have the following profile by 2012:

A: 4%
B: 27%
C: 59%
D: 8%
E: 2%

Following all our analysis under steady state, we concluded that we could not afford to reduce D and E assets to these levels if we are also to keep on top of other major works of repair and renewal to non principal assets.

Our revised approach is to aim for:
A: 3.5%
B: 22.6%
C: 58.9%
D: 12%
E: 3%”

It is important to note that this does not make clear that the new asset management strategy is to set a target re D and E condition for 2016–17 rather than 2012, the point which the chairman’s letter of 20 April to me brings to the fore.

The second document is an extract from the note of my meeting with BW on 27 November 2006. This states “The Minister asked for clarity on income and expenditure projections (other than grant) post 2011”. The note explains that I asked “how much of any additional income would be needed for maintenance rather than being put towards reducing the amount of Government grant needed in future”. What is significant is
that BW did not there and then seek to correct this assumption that income would exceed that required for ongoing maintenance nor did they establish that, on the basis of their revised target, such a reduction in grant-in-aid was impossible.

The third document is an extract of an e-mail between Defra and BW earlier on 20 April. This clearly shows a pattern of discussions around my request for “details of the assumptions lying behind BW’s target of 2012 for elimination of maintenance backlog and achievement of ‘steady state’ as well as transparency over financial projections”. Much confusion has surrounded the definitions of “maintenance backlog”, “statutory arrears”, “safety backlog”, “principal asset arrears”, “outstanding work to non principal assets”, and “steady state”. From my subsequent discussion with the Chairman I am now content that there has been no deliberate attempt to obfuscate; however the effect of the interplay of these different tools for network appraisal and asset management has been to obscure the fact that the original 2012 target did not take account of the need to repair non principal works (see paragraph 4 of the Chairman’s letter of 20 April):

“As progress has been made on reducing arrears other priorities have emerged that have now become a chronic problem. There are over 11,000 Non Principal Assets (eg weirs, feeders, culverts, embankments, by-washes etc) that are in a very poor condition and which fail regularly causing disruption, customer dissatisfaction and excessive remedial cost. In recent years some funds that were budgeted for Principal Asset Arrears have had to be reallocated to deal with these issues. . .”

And also in paragraph 6 . . .

“In addition, there have been asset repair costs relating to restored canals that were not within the original Arrears liability.”

It is this new Asset Management strategy that has largely led to the abandonment of the 2012 target of 10% D&E in favour of 15% D&E by 2016. I do not consider the EFRA Committee were given clarity about this. Instead the 2012 target was repeatedly alluded to in both BW’s written and oral evidence and the impression left in the committee’s mind that the failure to meet this target was all as a result of declining income. As we have now established BW’s actual and projected income for the period to 2012 has actually increased.

It is to the credit of the existing BW management and board that they have undertaken the reappraisal of the pressures on the waterways which underpins these figures. They have performed extremely well in securing the extra commercial income, which despite projections of falling grant income enable them to achieve the £30.1 million extra income over the period 2002–12. It is entirely right in my view that BW uses its assets to generate income to support the network in this way.

I am happy to reiterate the point I made on 25 April in Westminster Hall: I have full confidence in the management of BW’s business by the chair, board and chief executive.

The Committee already has been supplied with supplementary evidence relating to changing BW commercial status. The summary gave three areas where BW is seeking greater freedoms:

— Freedom to borrow commercially.
— Land dowry.
— Wider development powers so as to undertake regeneration and development in the vicinity of other waterways.

I would also like to make clear that the Chief Executive of BW formally, but unsuccessfully due to timing, asked Lord Whitty to include provisions for this in the Natural England and Rural Communities Bill. BW broached the issue with me and officials met to discuss this on 14 November 2006. I then formally asked them on 27 November to come back with proposals (see attached meeting note); they have yet to do this.

Since the EFRA committee I have met with the Chair of BW on two occasions, once accompanied by their Chief Executive. We are jointly committed to improving the flow of information between BW and my department. It would be wrong for ministers to interfere in commercial matters, or the day to day operation of the network. But strategic choices need to be clearly presented to ministers as options with supporting evidence (eg spend priorities on major works, growing commercial business for the future, customer service improvements etc). In particular decisions about allocation of additional commercial income should be guided by ministers judgement. It may be right to reinvest this into further property development to achieve a revenue stream at a later date. But this money could also be invested into maintenance and arrears of major works to achieve steady state earlier than would otherwise occur. The choice should be subject to ministerial discretion.

Barry Gardiner MP
Parliamentary Secretary (Commons) (Biodiversity, Landscape and Rural Affairs)
Department for Environment, Food and Rural Affairs

May 2007
DOCUMENTS FOR RELEASE TO EFRA COMMITTEE

(A) Extract of Email from Defra to BW—20 April 2007.

(B) BW Chairman’s letter to the Minister of 11 April. Commercial in confidence.¹

(C) BW Presentation at Quarterly Shareholder Meeting on 26 February 2007—Board and Shareholder Business Performance Report Ten Months to 31 January 2007 and F10 Forecast. Commercial in confidence.²

(D) BW Chief Executive letter to Defra of 9 February 2007.

(E) Asset Condition Schedule based on grant funding scenarios sent from the BW Chief Executive to Defra on 19 January 2007.³

(F) BW Chief Executive letter of 22 December 2006 to Defra. (Annexes—Commercial in confidence⁴).

(G) Extract from BW Meeting with the Minister on 27 November 2006.

(H) Commercial Freedoms—Extract from BW meeting with Defra officials on 14 November 2006.

(I) Extract of Email from BW Chief Executive to Defra of 14 August 2006.


(K) Extract from Minutes of Quarterly Shareholder Meeting on 22 June 2006.

(L) Answer to a written question to Defra from the Committee.

Annex A

Extract of Email Between DEFRA and British Waterways—20 April 2007

We have had a number of discussions over the last few days about the Minister requiring details of the assumptions lying behind BW’s target of 2012 for elimination of the maintenance backlog and achievement of “steady state” as well as transparency over financial projections (income broken down between various elements/expenditure—including line on maintenance arrears). You are also aware that Tony Hales is having separate discussions with Martin Hurst.

Unfortunately the information you have supplied is not what was required. The Minister still requires in-depth information so that he can see clearly how that date was arrived at and why it will not now be met.

As I explained MPs and the public perception is that BW will not meet its target date solely because of grant cuts. We do not believe this to be the case and that there are a number of other functions which played a part. For example commercial income coming on stream later than envisaged, and that the cost of maintenance (including ongoing) and the number assets falling into the backlog had been underestimated. You explained at our meeting the other day that you have changed your policy on clearing the backlog, but we still need the detailed information as to why the date of 2012 is no longer applicable.

With that in mind, the Minister would like the following information. Please note that as far as we can tell the 2002–03 Plan for the Future was the first public document to use this date for steady state. If this is wrong please advise when you first went public with it.

— Figures behind the projections for each year leading up to 2012 and clarity on the reasons why you will not meet this deadline—ie:

  What was the backlog figure at that time. Show reduction each year. Did they allow for inflation, if so by how much. Confirm that the calculations confirmed the ongoing cost of maintaining those assets repaired.

On individual assets—% of cost base that was about right, % over and under. Reasons why different.

  — Grant. What was the starting figure and what were your assumptions on grant going forward. Did you then expect a cut off point for the grant and if not what assumptions did you make on continual requirement for grant.

  — Commercial income—what JV’s/PPPs were expected to contribute towards reducing backlog, show projected amount each year and actual.

What other income was included. Again show individual elements yearly assumptions and actual.

¹ Not printed.
² Not printed.
³ Not printed.
⁴ Not printed.
⁵ Not printed.
INCOME AND EXPENDITURE

Need more transparency on income and expenditure. The table you emailed does not give nearly enough detail and for example trying to add back in the expected spend on arrears did not reconcile with the table.

Mark Turner was able to explain some of the background to the figures at the back of Tony Hales letter of 11 April [commercial in confidence]. However the Minister would be grateful for further clarification of table 1 in particular:

— What relation are these figures to the maintenance backlog figure of £97 million (as at 31 March 2007). I believe the £97 million is based on 2004 prices, so are the ones now being quoted on a like for like basis.

— How is £35 million “steady state” arrived at, what are the assumptions. When will you achieve “steady state”, how will that affect any grant given at the time.

Annex D

Letter from the Chief Executive, British Waterways to the Head of Environment Agency & Waterways Division, DEFRA, 9 February 2007

CSR07 CAPITAL GRANT APPLICATION

1. Purpose

1.1 This letter sets out the basis for our bid for an allocation from Defra’s capital budget application to HM Treasury for CSR07.

1.2 The bid is to part fund the cost of BW’s major works expenditure as set out and described below and also as contained in our previous CSR07 submissions.

2. Context

2.1 The renaissance of our waterways in recent years, and the massive public benefit that they have generated, has been based on greater investment in the infrastructure leading to improved network reliability and growing attractiveness.

2.2 There are inherent problems in maintaining 200+ year old assets and BW is faced with engineering challenges not normally experienced by other asset owners. Because of their ages few of our structures have surviving records of their construction, which means that before repairs can take place extensive investigations often need to be carried out to determine how the structure was constructed, and therefore the optimum method of repair. These 18th and 19th century structures, many nearing the end of their operational lives, must be repaired, and brought up to 21st. century standards, whilst at the same time their appearance and heritage value must be preserved for the future.

2.3 We have been moving towards a steadier planned programme for some time. To get best value from the funds available we need to adopt the most appropriate technical solution and use the most appropriate procurement route in our asset repair and refurbishment works. We achieve value in two ways by allowing time for early thinking and by allowing time for sound procurement.

2.4 The concept of Arrears was developed in BW around 1996–97 when we set out to more clearly define our asset management approach. By 1999 we had developed our rationale to invest in repair works in order to reduce an excess of those in the worst condition grades and to bring the whole asset base back to a normal asset profile commensurate with asset lifecycle and risk.

2.5 Around 1996–97 we advised that we had total arrears to our principal assets of £270 million of which £90 million was safety related. This £90 million safety backlog has been removed and the £180 million reduced to £119 million.

2.6 All our analysis demonstrates a need to maintain funding on infrastructure major works at around £35 million per annum (at 2006–07 prices) to prevent the long term decline, last seen with the railways. We fully understand the short term pressures on government funding but it is imperative that a long term view is taken and decisions made on value for money analysis.

2.7 The grant cuts imposed this year and the prospective further cuts during the CSR period mean that we must reduce BW’s spend on major works maintenance below the required level.

2.8 An increased capital grant of £5 million per annum during the CSR period would be sufficient to reduce materially the possibility of serious major works underspending problems occurring in the medium term.
3. **Asset Management Strategy**

3.1 To get best value we need to adopt the most appropriate technical solution and use the most appropriate procurement route and deliver the works in the “off season”. That means a significant repair often needs a three year time frame to investigate and outline the conceptual solution to detailed design to construction.

3.2 Security of funding is, therefore, very important to us. We can delay some works in the short term but only if we can be confident that funds will be available in the medium term. The art of good asset management is ensuring that works are properly prioritised to ensure assets never pose an unacceptable risk either in safety or value for money terms.

3.3 Our prime concern is the safety of the public, our customers, contractors and staff. We do not compromise on safety and our business plans allocate funds first to ensure we meet a minimum safety standard. This also applies to our asset management strategy. We do not currently believe that there are assets that are at a high risk of failure, without warning, which would have the potential to seriously harm people or lead to a loss of life.

3.4 Under your proposed CSR07 grant scenario we cannot achieve a fully fit for purpose network. We can, however, ensure that our waterways remain safe for all our customers and neighbours. In the short term, we can manage the risk at an acceptable level, but this will become increasingly difficult in the long term. BW is, therefore, carrying and will continue to carry a greater risk than previously planned.

3.5 To assess the value for money aspects of maintaining our assets, it is necessary to look at the Asset Lifecycle Curve (Annex A). The curve shows that on average our assets take a long time to deteriorate from new, but do suffer accelerating deterioration as they approach the end of their lives. We replace very few assets, but rather we carry out major renovations that restore them to an extended period of useful life.

3.6 The curve enables us to develop an asset management strategy and compare likely costs of maintenance versus renewal. Actual asset decisions are based on actual asset conditions and projected actual costs. Nevertheless, there is a good correlation between the average figures predicted by the curve and the actual figures from business plans and analysis of past projects.

3.7 We have around 11,000 Principal Assets comprising bridges, tunnels, large embankments, weirs, lock chambers, wharves, large culverts, cuttings, reservoirs, etc. These have been graded in conditions A to E. “A” being as new condition and “E” being bad. The average lifespan of these assets is 166 years and the rate of deterioration is shown by the curve. On average, an asset in Condition C requires an annual spend of 0.3% of replacement cost to prevent deterioration—ie it deteriorates at 0.3% per annum. In Condition D the equivalent rate is 1% on average, while in Condition grade E the rate rises to 4% on average. An asset at the top of Condition D deteriorates less quickly than one at the bottom of D. In Condition E the change in deterioration rate is marked, being 1.5% at the top of E, but with the curve becoming near vertical as failure approaches.

3.8 We have around 12,000 non-principal assets across our network. These are smaller than principal assets and typically comprise by-wash weirs, small culverts, feeders, discharge channels, small embankments etc. They also require maintenance and improvement, most of which will have a lifecycle curve similar to the average shown, but with a shorter average life. The same dilemma affects spending in that the longer we leave intervention the greater the cost of improvement and the greater the annual holding costs.

3.9 The consequence of this is two fold. The cost of major renovation to extend the asset’s life rises with age and the cost of annual maintenance required to halt further deterioration also rises with age. Looking at the curve we can establish what extension to asset life could be expected for a given expenditure.

3.10 Clearly, assets that deteriorate not only increase risk as they approach failure, they also impose a heavy annual cost. From a value for money perspective it would be preferable to have very few or no assets in Condition E.

4. **Asset Management Practice—Condition Grading**

4.1 BW has regular inspection procedures for all principal assets, which are graded according to the standards explained in paragraph 3.8 above. In addition, each asset is given a Business Priority Score as well as a Consequences of Failure score. These two additional scores enable BW to employ a planned asset management programme which delivers asset conditions that are of optimum benefit to users of the waterway network and which prioritises repairs to those assets that have the greatest consequence of loss of life or public damage in the event of failure.

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8 Not printed.
4.2 Our current asset condition profile is:

<table>
<thead>
<tr>
<th>% of total</th>
<th>No of assets</th>
</tr>
</thead>
<tbody>
<tr>
<td>A 3.5%</td>
<td>380</td>
</tr>
<tr>
<td>B 22.6%</td>
<td>2,470</td>
</tr>
<tr>
<td>C 51.1%</td>
<td>5,580</td>
</tr>
<tr>
<td>D 18.3%</td>
<td>2,000</td>
</tr>
<tr>
<td>E 4.5%</td>
<td>495</td>
</tr>
</tbody>
</table>

4.3 Our original asset management strategy target was to have no more than 8% in condition D and 2% in condition E by 2012:

<table>
<thead>
<tr>
<th>% of total</th>
<th>No of assets</th>
</tr>
</thead>
<tbody>
<tr>
<td>A 4%</td>
<td>435</td>
</tr>
<tr>
<td>B 27%</td>
<td>2,950</td>
</tr>
<tr>
<td>C 59%</td>
<td>6,445</td>
</tr>
<tr>
<td>D 8%</td>
<td>875</td>
</tr>
<tr>
<td>E 2%</td>
<td>220</td>
</tr>
</tbody>
</table>

4.4 Following all our analysis under the reduced funding scenarios proposed in CSR07, we have concluded that BW will not be able to afford to reduce D and E assets to the levels in 4.3 above.

4.5 Our revised approach is based on an assumed annual spend of £35 million per annum on major works as mentioned in paragraph 2.1 above. Under this scenario we would aim for asset conditions as set out below, by the time all repair arrears have been eliminated:

<table>
<thead>
<tr>
<th>% of total</th>
<th>No of assets</th>
</tr>
</thead>
<tbody>
<tr>
<td>A 3.5%</td>
<td>380</td>
</tr>
<tr>
<td>B 22.6%</td>
<td>2,470</td>
</tr>
<tr>
<td>C 58.9%</td>
<td>6,435</td>
</tr>
<tr>
<td>D 12.0%</td>
<td>1,310</td>
</tr>
<tr>
<td>E 3.0%</td>
<td>330</td>
</tr>
</tbody>
</table>

4.6 Under this revised approach an additional 110 assets would remain in Condition E. Taking the average deterioration rate, these 110 assets will cost an extra £1.65 million per annum just to hold them from further deterioration. The extra 435 assets in D will cost us an extra £1.63 million per annum to prevent further deterioration. Conversely the 545 additional assets in categories D and E would save of £39 million future capital spend against which our annual costs will rise by an extra £3.28 million.

4.7 If we were able to improve all our E condition assets to higher grades, at a capital cost of £74 million, we would reduce our annual holding costs by £7.4 million. In investment terms this has a good pay back period and would make real sense, but BW does not have the funds to achieve this. However, any additional investment in the condition D and E assets will be beneficial in value for money terms.

5. **Funding Application**

5.1 BW’s budget allocation from Defra for 2007–08 comprises a Resource Budget of £48.337 million plus Capital Funding of £7 million, totalling £55.337 million for the year. We are working on the assumption that this total allocation will reduce at the rate of RPI-5% for each of the three CSR07 years.

5.2 At this rate of funding, based on BW’s financial models, we will have available the following sums to invest in the major works asset management programme, headed “Forecast CSR”:

<table>
<thead>
<tr>
<th>Forecasts CSR</th>
<th>Required *</th>
<th>Shortfall</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007–08</td>
<td>27.5</td>
<td>35.0</td>
</tr>
<tr>
<td>2008–09</td>
<td>29.1</td>
<td>37.3</td>
</tr>
<tr>
<td>2009–10</td>
<td>30.0</td>
<td>39.7</td>
</tr>
<tr>
<td>2010–11</td>
<td>32.7</td>
<td>42.3</td>
</tr>
</tbody>
</table>

* £35 million at 2007 prices increased by construction price inflation at 6.5% pa.

5.3 This forecast CSR profile of expenditure falls short of the amount required to avoid long term decline in asset condition. BW seeks further funding from Defra’s capital budget allocation in the sum of £5 million per annum, in addition to the existing allocation of £7 million, for each of three years comprising CSR07.

5.4 Any additional funds received will increase the expenditure in the first column in the above table, which does not take account of the additional funding applied for in this letter.
6. Accounting

6.1 All expenditure on BW's waterway network is written off to profit and loss account as it is incurred. This accounting treatment is used because the waterways have a negative economic value due to the significant operating loss incurred on running the waterway network. This accounting treatment applies to major works as well as to general maintenance expenditure.

6.2 Accordingly, government grants that are attributable to major works are credited to profit and loss account to part fund the cost of the major works programme. BW has already been allocated £7 million as part of its total funding for the year 2007–08. Any further funds allocated to BW for capital grant will be treated in the same manner for accounting purposes.

6.3 The part of the major works programme included within the CSR forecasts that is not covered by Government grant is funded from BW's existing income sources.

7. Conclusion

7.1 There is no immediate high safety risk under the currently proposed CSR funding scenario. However, risk increases over time as major works underspend accumulates. That risk can only be mitigated by diverting an increasing proportion of our resource away from day to day waterway maintenance which will create customer service issues (grass cut infrequently, lock gates not working, no dredging etc).

7.2 From a value for money perspective, it is clearly preferable to reduce our grade D and E assets to a minimum. This is not affordable in the short term but we have been making excellent progress in recent years. Reduced funding scenarios will halt that progress and will create medium term burdens that will become increasingly expense to remedy.

7.3 Providing £5 million of capital funding to replace the revenue grant lost would enable us to keep our asset management programme substantially on track.

Robin Evans
Chief Executive
British Waterways

Annex F

Letter from the Chief Executive, British Waterways to the head of Environment Agency & Waterways Division, DEFRA, 22 December 2006

CSR

You asked me to pull together a number of statements and e-mail exchanges that we have had over the past few months.

1. Summary

1.1 We have talked you through our 10 year financial model and shown you how we have built up our earned income expectations. We have also explained our cost build up, particularly our steady state model that calculates the cost of maintaining our network once all arrears have been cleared.

1.2 Using these models we are able to anticipate what funding will be available each year for major works. Based on our Steady State model, we should spend £35 million per annum on major works to ensure we maintain the network in a safe, accessible, fit for purpose condition. Expenditure below this level generates a cumulative year on year underspend that because of constant physical deterioration and construction price inflation, eventually becomes unmanageable.

1.3 The renaissance of our waterways in recent years and the massive public benefit that they have generated has been based on improved investment in the infrastructure and growing reliability and attractiveness. All our analysis demonstrates a need to maintain funding on major works at £35 million per annum to prevent the long term decline last seen with the railways. We fully understand the short term pressures on government funding, but these will always exist. It is imperative that a long term view is taken and decisions made on value for money analysis. We are not like some parts of Government that can increase or decrease their programmes depending on funding available. We own and are responsible for an extensive and ageing infrastructure, it requires constant maintenance and repair, it will not look after itself and it requires a fully funded long term maintenance programme to avoid it becoming an overbearing liability, let alone realise its full potential.
1.4 The grant cuts imposed this year and the prospective further cuts during the CSR period require that we reduce our spend on major works below the required level. This is because the growth in our net commercial contribution cannot absorb general inflation on all costs plus extra construction inflation on major works plus make up the cuts in grant. To do this net commercial income would have to rise by over 10% per annum year on year.

1.5 The schedules contained in the Annexes to this letter all show a rising year on year accumulated underspend on major works. The risk of an unaccepted safety risk arising can only be mitigated by delivering more and more resource into the repair of safety critical assets. This will have a growing impact on network reliability and customer service. If we are to avoid the accumulated underspend becoming unmanageable, we need to secure more capital spend than is currently possible under any of the RPI—X funding scenarios.

1.6 As you know, we are in parallel applying for an increased capital grant of £5 million per annum during the CSR period and believe this would be sufficient to reduce the possibility of serious underspending problems occurring in the medium term.

2. Efficiency

2.1 A major assumption within all of the 10 year projections is that we shall deliver significant efficiency savings year on year.

2.2 We have been driving efficiency through the organisation for the last four years and made substantial progress. Some of the headlines are:

<table>
<thead>
<tr>
<th>Year</th>
<th>Headline</th>
</tr>
</thead>
<tbody>
<tr>
<td>2003–04</td>
<td>Restructuring reducing organisation from 27 waterways and six regions to 10 business units</td>
</tr>
<tr>
<td></td>
<td>140 redundancies</td>
</tr>
<tr>
<td>2003</td>
<td>Centralised procurement with national contracts on all major cost centres for example telecommunications and steel</td>
</tr>
<tr>
<td>2004</td>
<td>Shared Services Centre for business services and processing functions located in Leeds</td>
</tr>
<tr>
<td>2004–05</td>
<td>Outsourcing of IT, Pensions and Payroll administration</td>
</tr>
<tr>
<td>2006</td>
<td>New Ways of Working—all offices only to provide desk space for 60% of staff as 40% out on business in any one day (has led to significant reduction in office space requirement)</td>
</tr>
<tr>
<td>2006–07</td>
<td>Restructure with 150–180 office based redundancies.</td>
</tr>
</tbody>
</table>

2.3 We have agreed that by the end of 2010–11, we will have delivered £17.5 million of efficiencies. All these efficiencies generate cash savings.

2.4 We have been and continue to be very aggressive in our search for greater efficiencies. However, because of the decisions taken over the past two to three years the scope for significant further savings is much reduced.

3. Risks

At the levels of grant now being proposed there is little headroom or contingency should any of the risks below materialise.

3.1 Inflation

We set out our planning assumption on inflation in an attached schedule. Even a 0.5% increase above this level adds a cost burden of £50k per annum.

Construction inflation is assumed to be higher than RPI. Industry experts currently put inflation at 4–7% with the Olympics impact being a huge unknown factor.
3.2 Commercial

A growing proportion of our commercial income is coming from our ventures, particularly in property. These ventures are subject to the risk of planning delays, construction cost, inflation and market downturn.

3.3 Efficiency

Planned savings throughout the plan are very aggressive and will be even more difficult to achieve if the workforce are de-motivated through decreasing funding and an uncertain future.

3.4 Regulation

We have already briefed you on the huge rise in dredging costs and the prospects of even further rises in future years. The Water Framework Directive will impose an as yet unknown cost onto BW that could well be very significant.

4. Waterways for Tomorrow

4.1 I have said for some time there is a growing gap between Government policy set out in WFT and the grant regime being proposed. WFT is an upbeat document that recognises the wide potential of the waterways and firmly sets out Government’s intention to realise that potential. The document is not specific on actual targets but it was promoted to and accepted by stakeholders as an intention to expand the benefits of the inland waterway network.

4.2 Since its launch it is generally accepted that BW has met the expectations of stakeholders and Government in respect of WFT. However, with reducing grant, on the scale already outlined, it is unrealistic to expect that BW can deliver the same level of benefit in the future.

4.3 If we are to manage stakeholder expectations, Government and BW need to agree that, for the foreseeable future, BW’s priorities will be maintaining its waterways to agreed standards rather than realising all the aspirations within WFT.

For example:

4.4 AINA

BW support AINA with a grant of circa £45k and to date the Chairman (part-time) has been a BW employee. Much of AINA’s work is around documenting and disseminating best practice. As the largest navigation authority we are significant contributors as often our practices and processes are the ones AINA recommend to be followed.

Going forward, we will not be able to support AINA to the extent we have in the past.

4.5 Growing Recreational Use

There are very many examples of initiatives to increase the number of people using the waterways. Almost all of these involve spending money on access, signage, interpretation, facilities etc. It will remain our ambition to significantly grow visitor numbers and this will be concentrated in urban areas where major regeneration is taking place.

There will be less funding for improvements to rural waterways where usage is low and no great potential for significant growth.

4.6 Heritage and Environment

We have invested hugely in recent years to improve the bio-diversity of the waterways and safeguard the built heritage. We employ large numbers of experts and work well with both the old English Nature and English Heritage. Whilst we will always meet our statutory obligations, we will have less funds to develop bio-diversity, employ experts, restore heritage buildings and structures and provide information and interpretation.

4.7 Restoration and Regeneration

BW work with large numbers of canal societies, local authorities and other organisations to develop plans to restore many different abandoned waterways. This involves a considerable commitment of time by our managers, engineers, surveyors and funding experts. In the future we will have less people and we have already begun to tell restoration societies we will not support them to the same level. Inevitably this will slow the rate of progress on most schemes. The major projects already funded are the subject of a separate paper.
Regeneration is the biggest success story of the modern waterway system. BW is currently involved in projects worth an estimated £6 billion. It will remain a priority for BW but we will find it harder to come up with matched funding for local community projects. However, regeneration requires all parties to have confidence in the future upkeep of the waterways and this confidence will be affected if our major works programme is curtailed.

4.8 Freight

We calculate that we directly subsidise existing freight operators by between £750k–£1 million pa. We have put a lot of effort and resource into increasing freight in recent years with marginal success.

Going forward we are likely to stop all marketing activity, withdraw from consultation bodies and simply meet our statutory obligations.

4.9 The Waterways Trust

Payments (including those in kind) amount to over £1 million per annum. We will be looking to reduce this cost burden in the future.

4.10 None of the above will change BW’s or Government’s desire to maximise the benefit of the waterways, but there will be a slowing down in the pace of change and BW’s reluctance/inability to be at the vanguard of new initiatives and proposals will be noticeable. It is probable that this will create some negative comment from stakeholders and I would like Government to support BW by acknowledging the need to reduce the pace of change and that our capacity to be involved and lead is reduced.

5. Contract

You advised that a contract to secure grant beyond 2010–11 would only be considered if grant were to continue to reduce by circa RPI -5% year on year. On this basis the risks are too great for BW and I decided not to pursue the idea at this time. We still favour a seven year grant settlement but given the reductions in grant already taken and the prospect of further reductions in the CSR period, a contract is unachievable on the basis you have outlined.

6. Restoration Schemes

This section discusses opportunities to defer proposed canal restoration schemes and the likely impact of such decisions.

6.1 Manchester Bolton & Bury

| Total Cost | £5m |
| BW capital contribution | Nil |
| Construction Risk | £500k |
| Maintenance | £50k pa |

6.1.1 This is a commercially led project with a significant proportion of the income coming from Europe and property development receipts. The European funding programme ends in 2009 and will not be replaced. Therefore, all expenditure must be completed by this date. Any delay in agreeing to proceed would also have resulted in the owner of the development land proceeding without the canal and the project would have been lost.

6.1.2 The Board agreed to proceed with this project in September, provided all major risks were removed. One major estate risk remains.

6.2 Droitwich Canal

| Total Cost | £11.5m |
| BW capital contribution | Nil |
| Construction Risk | £1.5m |
| Maintenance | £50k pa |

6.2.1 This is probably the least complicated of all the current schemes. The Board approved the scheme in principle in June 2005, subject to the costs being contained to plan. We have still not awarded a contract but we are confident we will be able to do so.
6.3 Liverpool Link

| Total Cost | £17.5m |
| BW capital contribution | Nil |
| Construction Risk | £1.75m |
| Maintenance | £200k pa |

6.3.1 This project will act as a major catalyst for urban renewal along the waterfront and help the animation of the South Docks. It is one of the major projects to be delivered in advance of 2008 when Liverpool is European City of Culture. It is also dependent on European funding that ends in 2009.

6.3.2 To enable the canal to be open in 2008 work has to commence in 2006. For this reason the Board took the decision to proceed in November 2005, provided there was no financial risk to BW. We have still not resolved all the issues and a contract has yet to be awarded. It is likely we will proceed albeit with some risk falling to BW.

6.4 Cotswold Canal

| Total Cost | £24.9m |
| BW capital contribution | £1m |
| Commercial & Construction Risk | £4–6m |
| Maintenance | £180k pa |

6.4.1 This project has had a long and difficult history. The major funders are HLF (£11.5 million) and SWDRA (£6 million). It is the most complex and challenging of all the current restoration schemes and therefore the one with the most risks.

6.4.2 The project is already one year behind schedule, as we have spent time trying to bottom out engineering and other risk areas. HLF and the local authority have become increasingly concerned that the restoration is not underway and we are under an obligation to complete the project by 2009. Any delay would require a revised application to the Trustees of HLF.

6.4.3 We would benefit from more time to de-risk the project but cost inflation (the grants are all fixed) and pressure from the funders makes this very difficult.

6.4.4 The Board agreed in November 2006 to start the project and sign funding agreements. However, they reserved the position on signing the full construction contract until March 2007. The executive have to demonstrate at that time that risks to BW are no more than the £3 million allocated. If they are greater than this, the Board reserved their position and accepted the project may have to be abandoned.

6.4.5 If it is decided not to proceed then there is very little likelihood of the project being resurrected within a decade or more. There would be huge collapse of goodwill amongst all the parties. The HLF would certainly reallocate their funding and SWRDA would require repayment of funds already transferred. All involved (other than perhaps the Canal Trust) would consider they gave it their best effort and would move on. We cannot envisage there being any appetite to resurrect the project for some considerable time. It would also mean the abandonment of Phase 2 (connection into the Severn) which is currently the subject of a Big Lottery Fund £250k feasibility grant.

6.5 Olympics

| Total Cost | £16.5m |
| BW capital contribution | £1.5m |
| Risk and Maintenance | Still to be decided |

6.5.1 The funding package for this project is almost complete, although as you know there are problems with the size of the FFG. Such is the profile of the scheme and the timing so critical for the construction phase of the Olympic village, we do not consider it an option to delay or abandon. The Board are therefore likely to approve the project spend at its January 2007 meeting, provided all funding is in place.

6.6 Conclusion

6.6.1 Of the above five restoration projects the Board have agreed to proceed with the Manchester Bolton and Bury, Droitwich and Liverpool. They are likely to agree to the Olympics too in early 2007. These decisions have been taken given the huge amount of investment in time and money, the scale of benefits to be delivered and the reputational risks of not proceeding. However, cumulatively they create at least £3.75 million construction risk and add circa £300k to future operating costs.
6.6.2 A decision to proceed with the Cotswolds will need to be taken by March 2007 at the very latest. This is the project with the most risks.

7. Visitor Numbers

7.1 You have consistently asked about the cost of doubling visitor numbers on the waterways.

7.2 We have recently completed a large research programme with the Henley Centre to identify the potential for increasing visitor numbers. The report is quite extensive but I attach a key slide.

7.3 This shows that organic growth in existing visits will be modest. Real growth comes from regeneration of derelict and underused canalside land in urban areas.

7.4 You will see from the graph that we now predict growth from 300 million visits pa to just under 500 million. The vast majority of this increase comes from regeneration that will happen through BW’s normal course of business or without BW involvement. There will be costs involved in improved signage and interpretation, but these are not significant.

7.5 Having now completed this research I believe the growth in visit numbers is still desirable but will happen without significant specific cost. Growth therefore depends very much on the level of confidence within the property industry on regeneration generally and waterside locations specifically.

7.6 Our infrastructure investment programme is as you know a key element in creating confidence amongst waterside developers.

8. Asset Management

8.1 Introduction

8.1.1 There are inherent problems in maintaining 200+ year old assets and BW is faced with engineering challenges not normally experienced by other asset owners. These 18th and 19th Century structures, many nearing the end of their operational lives, must be repaired and brought up to 21st Century standards, whilst at the same time their appearance and heritage value must be preserved for the future.

8.1.2 To get best value, we need to adopt the most appropriate technical solution and use the most appropriate procurement route and deliver the works in the “off season”. This means a significant repair often needs a three year time frame to investigate and outline the conceptual solution to detailed design to construction.

8.1.3 Security of funding is, therefore, very important to us. We can delay some works in the short term but only if we can be confident that funds will be available in the medium term. The art of good asset management is ensuring that works are properly prioritised to ensure assets never pose unacceptable risk either in safety or value for money terms.

8.1.4 Steady State assumes that all our assets are in reasonable condition with the principal assets distributed according to the original 2012 target. Thus, we cannot at present operate at Steady State as our assets are in poorer condition and require more than “Steady State” for both improvement and maintenance.

8.2 Safety

8.2.1 Our prime concern, is the safety of the public, our customers, contractors and staff. We do not compromise on safety and our business plans allocate funds first to ensure we meet a minimum safety standard. This also applies to our asset management strategy.

8.2.2 We do not currently believe that there are assets which are at high risk of failure without warning which would have the potential to seriously harm people or lead to a loss of life.

8.2.3 Under all current grant scenarios, we cannot achieve a fully fit for purpose network. We can, however, ensure that our waterways remain safe for all our customers and neighbours. In the short term, we can manage the risk at an acceptable level, but this will become increasingly difficult in the long term. We are, therefore, carrying and will continue to carry a greater risk than previously planned.

8.2.4 To examine the likelihood of a return of safety backlog, it is necessary to consider both the condition of the assets and the consequence of failure. We rate the condition of our assets as:

| A | As new |
| B | Good  |
| C | Fair  |
| D | Poor  |
| E | Bad   |
8.2.5 We also consider the consequence of failure in the range 0 to five:

<table>
<thead>
<tr>
<th></th>
<th>0</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>No effect on life</td>
<td>Single minor injury</td>
<td>Multiple minor injury</td>
<td>Serious injury to less than three persons</td>
<td>Single death or multiple injury</td>
<td>Multiple deaths</td>
</tr>
</tbody>
</table>

8.2.6 In the context of safety, we consider that the relevant consequence factors are 4 and 5.

8.2.7 Consequence of failure is externally influenced. The scores are externally driven and can change as land beside the canals is developed or use is changed. For example, a primary school may be built adjacent to a canal embankment and this would change the consequence of failure score. Increasingly, our waterways are used as catalysts for regeneration and are seen as attractive environments. Waterside land is, therefore, popular for development. In the medium and long term, the consequence of failure factors are likely to rise.

8.2.8 Likelihood of failure is dependant on the condition of the structure.

8.2.9 The key is to maintain an understanding of the condition and consequence such that we manage the risk to the business and to others. This risk can become unmanageable. As the grades deteriorate, the likelihood increases as does the ongoing holding cost and the cost of repair. The result is further deterioration and a further increase in likelihood.

8.2.10 There is always likely to be some unforeseen failure like the breach earlier this year on the Llangollen. The major hard assets are unlikely to fail without warning provided we are rigorous in our inspections.

8.2.11 There are two types of structure that impose a higher risk than normal, namely embankments and culverts.

8.2.12 When we engage external consultants to help us with analysis of our embankments, they often tell us the embankment should fail. We understand these earth structures better than our external consultants and we have the long term experience of their behaviour. We know, therefore, we are carrying a higher risk with our embankments than many other organisations would be willing to carry.

8.2.13 Culverts are another risk as their failure is more difficult to predict than other hard assets. They are inspected and graded, but we have experience of culverts assessed in Condition C actually failing. The breach earlier this year on the Llangollen Canal resulted from the failure of a culvert which had been inspected and assessed as being in Condition C.

8.2.14 For these two types of structures, therefore assessing consequence of failure is even more significant.

8.2.15 From a safety viewpoint, it is necessary to consider condition grades D and E and consequence grades 4 and 5. The table shows the number in each category and the percentage of all principal assets.

### All Assets

<table>
<thead>
<tr>
<th>Condition</th>
<th>Consequence 4</th>
<th>Consequence 5</th>
</tr>
</thead>
<tbody>
<tr>
<td>D</td>
<td>141 (1.3%)</td>
<td>44 (0.4%)</td>
</tr>
<tr>
<td>E</td>
<td>52 (0.47%)</td>
<td>3 (0.03%)</td>
</tr>
</tbody>
</table>

8.2.17 The numbers and percentages are low, because of the success of our asset management approach, and demonstrate why we believe that currently we can ensure safety.

8.2.18 However, to get an understanding of the inherent risk that we carry and, therefore, to assess the possibility of safety backlog returning, we need to look at the two higher risk categories. Condition C is included in the following tables due to the greater uncertainty of being able to predict failure.

### Embankments

<table>
<thead>
<tr>
<th>Condition</th>
<th>Consequence 4</th>
<th>Consequence 5</th>
</tr>
</thead>
<tbody>
<tr>
<td>C</td>
<td>97</td>
<td>35</td>
</tr>
<tr>
<td>D</td>
<td>23</td>
<td>8</td>
</tr>
<tr>
<td>E</td>
<td>5</td>
<td>2</td>
</tr>
</tbody>
</table>
8.2.20 Culverts

<table>
<thead>
<tr>
<th>Condition</th>
<th>Consequence 4</th>
<th>Consequence 5</th>
</tr>
</thead>
<tbody>
<tr>
<td>Condition C</td>
<td>114</td>
<td>14</td>
</tr>
<tr>
<td>Condition D</td>
<td>46</td>
<td>5</td>
</tr>
<tr>
<td>Condition E</td>
<td>15</td>
<td>0</td>
</tr>
</tbody>
</table>

8.2.21 Again, our approach to asset management is clear with lower numbers of these assets in each “riskier” category.

8.2.22 While we still consider this situation to be safe, it does show that inherently we are carrying considerable risk.

8.2.23 There is a risk that this all gets out of control. It requires fine judgement to decide how to allocate scarce funding to maintain safety and meet the many other objectives we have. The asset scenarios show just how finely balanced this is. As the financial consequences deteriorate so do the safety consequences.

8.2.24 So there is no threat of an imminent return to a safety backlog. However, all current grant scenarios indicate an underspend on our major works programme. Eventually this underspend will accumulate to such a level that assets in poor condition with high consequence of failure will remain unrepaired. We can delay the return of a safety backlog by diverting more and more resource into the repair of the riskiest assets, but this will inevitably have consequences on our ability to deliver an accessible, fit for purpose network as money is taken away from day to day maintenance and customer service provision.

8.3 Value for Money

8.3.1 To assess the value for money aspects of maintaining our assets, it is necessary to look at the Asset Lifecycle Curve (Annex L). The curve shows that on average our assets take a long time to deteriorate from new, but do suffer accelerating deterioration as they approach the end of their lives. We replace very few assets, but rather we carry out major renovations that restore them to a useful extended period.

8.3.2 The curve enables us to develop an asset management strategy and compare likely costs of maintenance versus renewal. Actual asset decisions are based on actual asset conditions and projected actual costs. Nevertheless, there is a good correlation between the average figures predicted by the curve and the actual figures from business plans and analysis of past projects.

8.3.3 We have around 11,000 Principal Assets which have been graded in conditions A to E. A being as new and E being bad. The average lifespan of these assets is 166 years and the rate of deterioration is shown by the curve. On average, an asset in Condition C requires an annual spend of 0.3% of replacement cost to prevent deterioration—i.e., it deteriorates at 0.3% per annum. In Condition D the equivalent rate is 1% on average, while in Condition grade E the rate rises to 4% on average. An asset at the top of Condition D deteriorates less quickly than one at the bottom of D. In Condition E the change in deterioration rate is marked, being 1.5% at the top of E, but with the curve becoming near vertical as failure approaches.

8.3.4 We have around 12,000 non-principal assets across our network which also require maintenance and improvement, most of which will have a lifecycle curve similar to the average shown, but with a shorter average life. The same dilemma affects spending in that the longer we leave intervention the greater the cost of improvement and the greater the annual holding costs.

8.3.5 The consequence of this is two fold. The cost of major renovation to extend the asset’s life rises with age and the cost of annual maintenance required to halt further deterioration also rises with age. The average replacement cost across our Principal Assets is of the order of £375,000. Looking at the curve we can establish what extension to asset life could be expected for a given expenditure. The following tables illustrates the points.

<table>
<thead>
<tr>
<th>Asset Condition</th>
<th>£37,500 (10%)</th>
<th>£75,000 (20%)</th>
<th>£150,000 (40%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bottom of E</td>
<td>1</td>
<td>2</td>
<td>10</td>
</tr>
<tr>
<td>Middle of E</td>
<td>3</td>
<td>8</td>
<td>28</td>
</tr>
<tr>
<td>Top of E</td>
<td>9</td>
<td>20</td>
<td>90</td>
</tr>
<tr>
<td>Middle of D</td>
<td>11</td>
<td>41</td>
<td>117</td>
</tr>
<tr>
<td>Top of D</td>
<td>30</td>
<td>70</td>
<td>136</td>
</tr>
<tr>
<td>Middle of C</td>
<td>42</td>
<td>76</td>
<td>106</td>
</tr>
</tbody>
</table>
8.3.6 Clearly, assets which deteriorate, not only increase risk as they approach failure, they impose a heavy annual cost. From a value for money perspective, it would be preferable to have very few or no assets in Condition E. The value tipping point could be described as more than 1% or 2% assets falling into Condition E.

8.3.7 Our current profile of Condition Grades is:

<table>
<thead>
<tr>
<th>Grade</th>
<th>Percentage</th>
<th>Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>3.5%</td>
<td>380</td>
</tr>
<tr>
<td>B</td>
<td>22.6%</td>
<td>2,470</td>
</tr>
<tr>
<td>C</td>
<td>51.1%</td>
<td>5,580</td>
</tr>
<tr>
<td>D</td>
<td>18.3%</td>
<td>2,000</td>
</tr>
<tr>
<td>E</td>
<td>4.5%</td>
<td>495</td>
</tr>
</tbody>
</table>

8.3.8 Our original target was to have the following profile by 2012.

<table>
<thead>
<tr>
<th>Grade</th>
<th>Percentage</th>
<th>Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>4%</td>
<td>435</td>
</tr>
<tr>
<td>B</td>
<td>27%</td>
<td>2,950</td>
</tr>
<tr>
<td>C</td>
<td>59%</td>
<td>6,445</td>
</tr>
<tr>
<td>D</td>
<td>8%</td>
<td>875</td>
</tr>
<tr>
<td>E</td>
<td>2%</td>
<td>220</td>
</tr>
</tbody>
</table>

8.3.9 Following all our analysis under Steady State, we concluded that we could not afford to reduce D and E assets to these levels if we are also to keep on top of other major works of repair and renewal to non principal assets.

8.3.10 Our revised approach is to aim for:

<table>
<thead>
<tr>
<th>Grade</th>
<th>Percentage</th>
<th>Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>3.5%</td>
<td>380</td>
</tr>
<tr>
<td>B</td>
<td>22.6%</td>
<td>2,470</td>
</tr>
<tr>
<td>C</td>
<td>58.9%</td>
<td>6,435</td>
</tr>
<tr>
<td>D</td>
<td>12%</td>
<td>1,310</td>
</tr>
<tr>
<td>E</td>
<td>3%</td>
<td>330</td>
</tr>
</tbody>
</table>

8.3.11 An additional 110 assets would remain in Condition E. Taking the average deterioration rate, these 110 assets will cost an extra £1.65 million per annum just to hold them from further deterioration. The extra 435 assets in D will cost us an extra £1.63 million per annum to prevent further deterioration. So, by reducing or diverting a total of £39 million capital spend, our annual costs will rise by an extra £3.28 million.

8.3.12 Reducing our spend on principal assets to enable us to divert some spend to our many other assets adds risk to the business and means day to day expenditure has to be diverted to holding maintenance on the assets we no longer can improve. It is a very fine balance to judge where this value and risk decision lies. The choice of which asset to improve and which asset to leave and “hold” in position is obviously very important.

8.3.13 If we were able to improve all our E condition assets at a cost of £74 million, we would reduce our annual holding costs by £7.4 million. In investment terms this would make real sense, but we don’t have the funds to achieve this.

8.4 Conclusion

8.4.1 There is no immediate high safety risk under any of the proposed funding scenarios. However, risk increases over time as major works underspend accumulates. That risk can only be mitigated by diverting an increasing proportion of our resource away from other capital spend and day to day maintenance which will create customer service issues (grass cut infrequently, lock gates not working, no dredging etc.).

8.4.2 From a value for money perspective, it is clearly preferable to reduce to a minimum our D and E assets. This is not affordable in the short term but we have been making excellent progress in recent years. Current funding scenarios will halt that progress and short term cuts will create medium term burdens that will become increasingly unaffordable to remedy.
8.4.3 Providing £5 million of capital funding to replace the revenue grant lost would enable us to keep
our asset management programme on track.

8.4.4 We are not yet able to model how long it will take to clear a major works underspend, but we can
do this for our principal assets (old arrears). Annex J shows how much we can afford to spend in arrears
out of our major works “pot”. Any arrears left over each year are inflated in line with construction inflation
and condition deteriorates each year as well.

8.4.5 This demonstrates that of all the scenarios RPI-5% + £5 million capital for CSR period eliminates
arrears faster at least total cost—2016/17 and £181,307k respectively. (The RPI-7.5% falls off the end of
the model).

9. Financial Schedules attached

9.1 Annex A 10 year summary RPI -2.5% with no RPI inflation in any figures where growth is
above RPI, eg commercial income on construction cost the “extra” is left in to
show real changes. The major works line is not meaningful under this analysis so
the graphs although attached for completeness should be ignored.

9.2 Annex B 10 year summary RPI -2.5% with inflation plus graphs showing major works
underspend.

9.3 Annex C 10 year summary RPI -5% with inflation plus graphs showing major works
underspend.

9.4 Annex D 10 year summary RPI -7.5% with inflation plus graphs showing major works
underspend.

9.5 Annex E 10 year summary RPI -5% plus £5 million grant added back for CSR period.

9.6 Annex F Analysis of actual major works underspend in figures not graphically.
Note: These are not inflated for construction cost inflation or further
deterioration and are therefore understated.

9.7 Annex G Breakdown of overheads.

9.8 Annex H Schedule of assumptions within models.

9.9 Annex I Breakdown of core waterway spend.

9.10 Annex J Arrears expenditure

9.11 Annex K Summary of financial analysis

9.12 Annex L Asset lifecycle curve

Robin Evans
Chief Executive
British Waterways

Annex G

Extract from Minister’s Meeting with BW on 27 November 2006

BW also said that the maintenance backlog would take longer if the GIA was cut and the rate of repair
would suffer. Moreover, there was an optimal (in terms of value for money) point for maintenance and
repair in the lifespan of an asset. This could be comprised by a build-up of arrears. The Minister asked for
clarity on income and expenditure projections (other than grant) post 2011 (recognising the uncertainties).
He asked how much of any additional income would be needed for maintenance rather than being put
towards reducing the amount of Government grant needed in future. Robin Evans replied that the
maintenance could rise in the short term but must start to go down. Two things were critical: one, that there
wasn’t a safety backlog; and two, that there were some realistic assumptions about arrears going down
eventually (even if they were rising over the CSR period).

Discussion moved on to how BW could be freed up in certain ways with greater access to capital finance.
The Minister said he would be happy to consider any clear proposals from BW, not just the things to help
them out now (which they had been discussing with Defra), but also any legal changes for BW themselves
that would help free them up. The Minister stated that he wanted to put the future of the waterways on a
longer term sustainable basis, and he would be happy to consider “radical” options.

7 Not printed.
Annex H

Extract from Meeting with British Waterways on Tuesday 14 November 2006 to Explore Policy Co-operation


RE wanted to sound out Defra’s appetite for taking forward BW’s proposals to achieve greater self-sufficiency and to identify those which were worthy of further investigation.

WIDER POWERS

NJ said that the Legislative and Regulatory Reform Bill was likely to receive Royal Assent in January 2007 and would provide an opportunity to secure the additional development powers BW wished to obtain. The Bill provided the powers to amend primary legislation by the use of a regulatory reform order (RRO) which would amend BW’s legislation. It might also be possible to use such an order to amend and update waterways legislation applying to other navigation authorities to allow them to manage and operate their waterways more effectively.

RE wanted BW to develop a more balanced property portfolio with a wider geographical spread so that it could grasp more commercial opportunities and exploit its regeneration expertise. SM agreed that the policy objective tied in with the recommendations of the end to end review. RB said that the proposed RRO would need to be explored with Cabinet Office in view of their overall responsibility for RROs and particularly since the Department’s experience with IWAAC suggested that Parliamentary Counsel might see the proposal as changing the nature of BW rather than as lifting a burden. The first stage would be to complete a proforma setting out the proposals in detail.

Agreed that NJ would prepare first statement of case and would approach Cabinet Office after consulting Defra.

Action: RB to provide NJ with a contact in the Cabinet Office and a copy of the IWAAC proforma.

NJ to prepare background case for RRO

BORROWING

BW wished to increase their borrowing limit of £35 million. This would require primary legislation. The 2008 Finance Bill offered a possible opportunity.

RE said that there were other means of raising money, citing the case of the BBC who had issued property bonds. He wished to understand how this had been achieved.

Action: NJ to explore avenues for increasing borrowing limit and to update Defra in due course

PF to respond on BBC point

ACCESS TO OTHER FUNDING STREAMS

RE said that it would be helpful to know what other funding streams within Defra might be available to BW, ie grants for hedgerows. SM said she could track funding generally within Defra, but did not have detailed information readily to hand. She suggested that BW engage with Natural England—if this proved unsuccessful, she was happy to facilitate.

Action: RE to pursue proposal with Helen Phillips

PLANNING GAIN SUPPLEMENT

RE said that BW should receive PGS funding by virtue of the fact that waterside developments provided a 20% uplift in prices for developers. Given the fact that it was involved in over £10 billion of regeneration, PGS could make a significant contribution to BW’s income and thus reduce its burden on government. SM said that this was a different tack, as following on from the meeting between BW and representatives from DCLG and Treasury in September, the Department had adopted a defensive approach focusing on the potential losses that BW might suffer from PGS through having to pay the supplement as developer and through the potential weakening of S106 agreements. DCLG had responsibility for the policy on the distribution of PGS to local authorities and would be able to advise BW on this aspect and clarify the future position on S106 agreements.

Action: RE to draw up case for BW’s eligibility for PGS from local authorities and provide a brief for Defra
INTERACTION WITH LOCAL AUTHORITIES

RE said that it would be helpful in BW’s negotiations with local authorities on proposed developments such as a marina, if it had Defra’s backing in the form of a letter setting out national policy on the waterways.

SM said that Government had recently issued a White Paper setting out its proposals on the relationship/future interaction between central and local government. This set a framework for engagement, with government maintaining a strategic role. Government Departments set the broad framework, eg planning guidance, but could not be seen to influence planning decisions as this would conflict with Secretary of State’s quasi-judicial role. It was a decision for the local authority to decide when and if it could provide funding to BW towards the maintenance of a local canal/towpath.

SURPLUS LAND

RE said that it would be advantageous to both BW and government if it could receive notification of government land with a waterside frontage. This need not be solely for disposal, but also where it was underused and capable of development. SM pointed to central register and the strict Treasury guidelines governing the sale and disposal of surplus government land and assets. Departments provide annual returns to Treasury of their assets [BW contributed to this return] and these returns fed into the CSR process. This was an additional source of intelligence on what was available. SM suggested that BW contact David Edwards or David Shevill on the best ways to sound out what surplus land was available—one approach might be for BW to contact the Estates Liaison Officers of individual Departments.

Action: BW to contact DCLG on best way forward

Annex I

Extract of Email from BW Chief Executive to DEFRA of 14 August 2006

a) Spend on Principal Assets

The arrears programme deals exclusively with principal assets like bridges, aqueducts, major embankments, weirs, reservoir walls—the big infrastructure of the waterways. These are equivalent to the foundations, walls, roofs of a hotel. They are a priority to keep in good order as structural failure could have catastrophic consequences.

Our original plan was to complete all the arrears and then turn our attention to other major works like locks, small embankments, redundant historic buildings, reservoir feeder channels. These are the equivalent to the doors, windows, plumbing and outhouses of a hotel. Essential for the proper functioning but where failure is not catastrophic.

Our submission suggests it is wrong to seek elimination of arrears before tackling other major works. Now that the worst arrears projects have been dealt with, it is more sustainable to look at principal assets and other major works together and prioritise using our business criticality index. In this way we keep the hotel functioning and manage the risk of asset failure more evenly.

b) Spend on Vegetation, Services and Minor Structures

This is our general works programme amounting to approximately £80 million per annum. It includes, for example, grass and hedge cutting, lock keepers, information, visitor mooring facilities. The equivalent is the décor, the furniture, the garden of the hotel.

We need to achieve the right balance between major works spend and general maintenance. Too much on one will mean less on the other with obvious consequences. This balance is not a science—it is a constant judgement. We see no scope for reducing expenditure on GWP to divert more to major works.
Annex J

Comprehensive Spending Review 2008–09 to 2010–11 BW 2006 Submission

1. Overview

1.1 BW working with Governments and other partners and stakeholders have transformed our inland waterways over the past 10–15 years. Together we have reversed the long term decline, created safe and attractive canals and rivers that now attract increasing use and investment. Waterways have undergone a remarkable renaissance and are now the place of preference to live, work and play.

1.2 BW itself has transformed from a predominantly engineering focussed inward looking organisation to a much more customer orientated business, commercially astute and outward looking. It has become significantly more efficient in recent years and remarkably effective in managing its infrastructure, growing its income and delivering public benefit.

1.3 None of this has been easy and the future of the waterways is by no means secure. We manage a 200 year old network, we are the third largest owner of listed buildings and structures and one of the largest owners of wetland SSSIs. Access to the whole 2,000 mile network of towpaths is free and we receive over 300 million visits a year. Although we have reversed the decline in condition, standards and use, a vast amount of repairs, maintenance and renewal is still needed. The recovery is fragile, we are at a tipping point where the future is finely balanced. With the right conditions we could move forward and create an increasingly self sufficient organisation delivering increasing public benefit and regeneration. The wrong conditions will lead quickly to a reversal of fortune and the spiral of decline in standards, maintenance and use will be re-established.

1.4 Although BW has grown its commercial income very substantially in recent years, it still requires government grant to create the right conditions for it to succeed. The BW Board are determined not to lose all the very hard won benefits of an increasingly valued and valuable national asset. It looks to government to continue its support of BW’s long term business strategy, as agreed in the 2005 Policy Review, to meet government’s objectives as set down in Waterways for Tomorrow and Scotland’s Canals—an asset for the future.

2. BW’s Current Strategy and Financial Plan

2.1 The diagram below shows the BW business model. It is a model that enables BW to become increasingly self sufficient whilst also increasing the wider public benefit generated by its waterways through regeneration, greater public access and growing economic development.

THE BW LONG TERM BUSINESS MODEL

- Increasing earned income
- Improved repair, maintenance
- Improved reliability and attractiveness
- Increasing use
- Increasing investment
- Increasing regeneration

2.2 The model is proven to work as BW has over the past 10 years:

- Increased its earned income by 200%.
- Grown the share of earned income as a percentage of turnover from 34–51%.
- Restored and reopened 200 miles of canals.
3. Overview of Strategic Financial Plan

3.1 We have spent a great deal of time reviewing the inputs to our current financial plan. We have been particularly careful to reflect recent changes in thinking, planning and analysis. These include:

— Prospects of a property downturn.
— Current issues with planning applications on the major ventures of ISIS and Wood Wharf.
— Analysis of major works not just principal asset arrears.
— A better understanding of the risks within the plan.

3.2 Income

3.2.1 The commercial earnings have been carefully analysed and the forecasted income reflects a realistic assessment of the likely net income in future years.

3.2.2 The greatest risks lie in the Ventures income where planning, construction and market risks are greatest. Our forecasts reflected our assessment of these risks.

3.3 Steady State Costs

Costs of maintaining the waterway network have been thoroughly analysed over the past 18 months and work is ongoing to refine the models we use. We are confident that the £118 million base cost, at 2004 prices, is a realistic assessment of the “steady state” cost of running the waterways. We are not yet at “steady state” but at this level of expenditure it is achievable and can be maintained. We have projected these costs forward using inflation assumptions and quite aggressive efficiency requirements.

3.4 Corporate Overhead

Corporate overhead has also been fully analysed and is a target for on-going efficiencies. The office and other operational property reviews will generate efficiencies in future years and these are programmed into the cost analysis.

3.5 Efficiency

A major assumption within all of the 10 year projections is that we shall deliver significant efficiency savings year on year.

We have been driving efficiency through the organisation for the last four years and made substantial progress. Some of the headlines are:

— 2003: Restructuring reducing organisation from 27 waterways and six regions to 10 business units—140 redundancies.
— Ongoing programme of early retirement.
— Centralised procurement with national contracts on all major cost centres for example telecommunications and steel.
— Shared Services Centre for business services and processing functions located in Leeds.
— Outsourcing of IT and Pensions administration.
— New Ways of Working—all offices only to provide desk space for 60% of staff as 40% out on business in any one day (has led to significant reduction in office space requirement).

We know we can deliver further efficiencies and all areas of the business are being challenged to deliver these. For planning purposes we have assumed further cumulative efficiencies of 1% per annum for the period of the plan. This will generate total savings of £90 million over the 10 year period.

3.6 Risks

There are very considerable risks within the plan, notably:

i) Inflation—assumed at 2.5% generally and 4% on construction costs. Even small increases above these assumptions (1% point) creates significant shortfalls in later years.

ii) Commercial—The Plan is predicated on shortfalls in the early years being made good in later years when our major ventures generate significant income. These ventures are subject to the risk of planning delays, construction cost inflation and market downturn. The high returns exist because there are high risks.

iii) Efficiencies—The plan assumes efficiencies of 1% per annum year on year. A cumulative total of £90 million over the 10 years.

iv) Regulation—Stricter environmental controls have quadrupled the cost of dredging in recent years. A similar financial risk is water regulation through the Water Framework Directive. Extraction licences for major transfers of water are likely to be introduced in the next 12–18 months. This will introduce new costs in respect of the actual licence and monitoring. However, the biggest risk lies in the cost of providing additional sources of water supply if existing sources are restricted or reduced through the licensing regime. There are also the unknown costs of infrastructure improvements required by WFD for environmental considerations.

4. Revised Financial Plan

4.1 The imposition of a last minute 12.5% cut in this year’s grant that could rise to 15% has had a huge effect on our financial plans. This combined with the expectation that 2007–08 will be no better creates a very significant shortfall over the next two years that has to be made up in future years.

4.2 The Hotel Analogy

4.2.1 Running BW could be compared to running a chain of 2* or 3* hotels. There is constant pressure to upgrade and improve the presentation of the rooms and common areas to meet rising customer expectations. The business must strive to meet these expectations or its customers and dependant businesses will go elsewhere. However, it is also critical that a long term view is taken and that essential maintenance repair and renewal to the structures of the hotels is undertaken to a planned programme. It is a difficult balancing act—too much spend on improving bathrooms and common spaces will lead to the neglect of roofs, walls and windows. In a relatively short time this neglect will manifest itself in serious structural problems that will be expensive to remedy. On the other hand too much spend on the structure will lead to poor presentation inside the hotel and customers will go elsewhere.

4.2.2 The danger is in making short term decisions. Repairs and renewals to the structure can be delayed for short periods without immediate consequence, whereas not renewing bathrooms or keeping interior décor up to standard can have very short term consequences.

4.2.3 However, delaying structural repairs and renewals is always more costly in the long term. Delays cause increased deterioration leading to greater repair cost. As bad is the effect of construction inflation (this is estimated to be running at 5–7% per annum), a 7% inflation creates a doubling of cost over 10 years—a crippling burden when income is not rising at a same rate.

4.3 Alternative Funding Scenarios

4.3.1 The BW business model and financial plan is built up from a very wide range of income and expenditure. It would be unhelpful to create sensitivity analyses for all of the variables.

4.3.2 We have prepared three revised scenarios as described below. In each of these scenarios we have input different grant funding profiles but kept all other assumptions other than the spend on major works. Grant from the Scottish Executive is assumed to be constant at £11.4 million (uninflated).
4.3.3 We consider the major works programme of £35 million per annum is the area of expenditure that can be varied in the short term to accommodate upward and downward fluctuations in income. We are convinced the remaining £83 million of steady state costs cannot be reduced over the plan period. Inflation and cost efficiency assumptions are already built in throughout the plan as previously described.

4.3.4 Revised Financial Plan 1—Annex E

This assumes grant of £55.35 million for 2006–07 and 2007–08 then increasing to £62.6 million from 2008–09 onwards without inflation. This saves Defra £107 million in real terms assuming RPI at 2.5% pa. The cumulative underspend against the Steady State budget requirement for Major Works is estimated at £29 million by 2016 and is reducing.

4.3.5 Revised Financial Plan 2—Annex F

This assumes grant of £55.35 for 2006–07 and 2007–08, then increasing to £60 million per annum from 2008–09 onwards without inflation. This saves Defra £130 million in real terms assuming RPI at 2.5%. The cumulative underspend against the Steady State budget requirement for Major Works is estimated at £52 million by 2016 and is rising.

4.3.6 Revised Financial Plan 3—Annex G

This assumes grant at £55.3 million for the 10 year period. This saves Defra £172 million in real terms assuming RPI at 2.5%. The cumulative underspend against the Steady State budget requirement for Major Works is estimated at £94 million by 2016 and is rising.

4.4 Risk Sensitivities

4.4.1 We have also prepared two different versions of RFP1 to show sensitivities to inflation and venture income.

4.4.2 Revised Financial Plan 4—Annex H

As per RFP I but with inflation at 3.5%. The accumulated underspend on Major Works Steady State expenditure budget would be £131 million by 2016 which would represent a very significant decline on the condition of the principal assets and threaten the safety of the network.

4.4.3 Revised Financial Plan 5—Annex I

As per RFP I but with Wood Wharf and ISIS income from 2011 deferred two years. The accumulated underspend on Major Works Steady State expenditure would be £52 million by 2016.

4.5 Grant Funding Proposal

4.5.1 We consider that our existing strategic plan, which included a flat cash grant of £62.6 million, would have delivered an improving network with increased public benefit at a reducing cost to Defra in real terms.

4.5.2 A summary of the projected shortfalls in major works spend is attached at Annex J. This shows that even with our existing strategic plan we would not have achieved steady state by 2016.

4.5.3 However, the original plan is no longer available to us due to cuts this year and forecast cuts next year.

4.5.4 RFP1 is in our opinion the plan that delivers best value to Government. There are significant cash savings whilst protecting BW’s infrastructure, and the delivery of substantial public benefits in the form of regeneration, restoration and general access.

4.5.5 Under RFP I we will have a shortfall in major works of £30 million by 2016. This is manageable because the shortfall is reducing and if BW can outperform its plan, the shortfall can be reduced further. Conversely of course if some of the risks mentioned above materialise about the levels planned, then the shortfall could be much worse and damaging to the overall business plan.

4.5.6 If RFP1 were to adopted for more than the CSR period we would need to be protected from inflation risk. This is a risk we have no control over and any contractual commitment would be based on a RPI of 2.5%.
5. The Consequences of Insufficient Funding

5.1 BW experienced years of inadequate funding in the 1970s and 1980s. It resulted in £300 million of maintenance arrears, declining use and towns and cities “turning their backs” on their waterways.

5.2 The investment in the waterways over the past 15 years has seen quite a remarkable renaissance with reliability and use increasing and massive regeneration alongside waterways across the whole country.

5.3 The Board are determined not to allow a spiral of decline to begin again and are resolved to maintain the necessary level of spending on maintenance repair and renewal to ensure the decline does not materialise. We must continue to invest to achieve steady state. We are not at steady state yet and even RFP 1 doesn’t achieve it unless we outperform the business plan.

5.4 Our forecasts already assume aggressive further efficiency savings that will deliver £90 million in aggregate over the 10 year period. Although we will enthusiastically continue to drive down costs, whenever it is commercially sensible to do so, we cannot realistically account for any greater savings than already assumed within the plan.

5.5 The consequence of insufficient funding will be that the Board will look to cut out sections of waterway activity to ensure the main existing network is not compromised. The list of activities most likely to be affected are given below.

5.6 Restoration and Regeneration Schemes

Whilst most of the schemes currently planned are financed in large part by other agencies, BW often makes a capital contribution to these schemes. We also bear the construction risk and the future maintenance liability.

Restoration schemes are funded by Lottery, RDAs, Europe and Local Authorities primarily because of the regenerative effect they have on local communities and economies. Each of the schemes described below has well documented delivery outputs that include amongst other things affordable housing, environmental improvements, full time job creation, brownfield regeneration and tourism spend.

We are able to demonstrate from previous restoration schemes that these outputs are delivered and very substantial benefits are derived by local communities.

All of the schemes currently planned were affordable under our previous projections. However, if grant falls below our previous expectation we will not proceed with some or all of these projects because the risks will be too great.

5.6.1 Olympics

Probably the greatest opportunities for regeneration in the Lea Valley in modern times. Creating a navigable non-tidal waterway through the Olympic Zone will provide immediate benefits by removing 500,000 lorry movements per annum from the roads during the construction period. For the sustainable legacy, a fully operational waterway will create the attractive, active amenity to enable a 21st century water city.

Total cost £16.5m
BW contribution—capital £1.5m
— Construction risks currently unallocated
— On-going maintenance costs.

5.6.2 Liverpool Link

New canal linking Leeds & Liverpool Canal to the South Docks creating the means for leisure craft to enter and animate the city waterfront. The project is part of the 2008 City of Culture celebrations.

Total cost of project £17.5m
BW contribution—capital Nil
— Construction risk say 10%—£1.75m
— On-going maintenance £200k per annum.

5.6.3 Droitwich Canal

Restoration of the canal through Droitwich delivering social economic and environmental benefits.

Total cost £11.5m
BW contribution—capital Nil
— Construction risks at 10%—£1.15m
— On-going maintenance £50k per annum.
5.6.4 Cotswolds Canal

First phase of the restoration of the waterway linking the Thames to the Severn. Phase 1 restores many heritage structures currently at risk and delivers significant regeneration benefits to Stroud. The most publicly supported restoration in the modern era.

<table>
<thead>
<tr>
<th>Total cost</th>
<th>£24.9m</th>
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<tbody>
<tr>
<td>BW contribution—capital</td>
<td>£3m</td>
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<tr>
<td>— Construction risks at 10%</td>
<td>£2.49m</td>
</tr>
<tr>
<td>— On-going maintenance</td>
<td>£100k per annum.</td>
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</table>

5.6.5 Manchester Bolton & Bury

Phase 1 of a regeneration led restoration of the city centre waterway.

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<tr>
<th>Total cost</th>
<th>£5.5m</th>
</tr>
</thead>
<tbody>
<tr>
<td>BW contribution—capital</td>
<td>Nil</td>
</tr>
<tr>
<td>— Construction risks at 10%</td>
<td>£450k</td>
</tr>
<tr>
<td>— On-going maintenance</td>
<td>£50k per annum.</td>
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</tbody>
</table>

5.6.6 BW’s Commitment

All these projects are due to commence in the next three to nine months. All are fully funded and expectations are enormous. However, BW is not yet formally committed to any of them and will not commit unless we get comfort of our future funding. We anticipate very considerable discontent when we announce this in the affected areas.

5.7 BW Pension Scheme

There is a high risk that the next three yearly valuation of our scheme in March 2007 will show an increased deficit despite the higher contributions and reduced benefits introduced in 2004.

BW will be unable to afford any increased contributions and we will have to consider radical reductions in benefits going forward or closing the scheme. This would be a major issue within BW as the majority of employees consider themselves public servants and therefore entitled to the same pension arrangements as civil servants.

5.8 Rochdale Canal

This canal was restored with Millennium Commission funding between 2000–02 at a cost of £25 million. Since opening, BW have incurred unbudgeted costs of £6 million repairing infrastructure failures and breaches resulting from the remaining unimproved assets.

BW will have to notify customers and the four local authorities of Manchester, Rochdale, Oldham and Calderdale that it cannot afford to repair any further major breaches and if any occur the canal will be closed indefinitely.

5.9. The Waterways Trust

Payments under contract and foregone property income amounts to circa £1.2 million per annum. The Board accepts their responsibilities for maintaining the core of the museum and archive collections but not the cost of making them available to the public. Closing the three museums and storing the collection is an option that is under consideration that should save BW circa £500–750k per annum. The Trust would then most probably be wound up.

5.10 Freight

We estimate that current contracts with freight operators create a net loss of around £1 million per annum due to the particular dredging and manning requirements. Whilst we will continue to honour our statutory obligations, we shall stop promoting waterborne freight as further contracts will only add to our financial difficulties.
5.11 *Major Works*

If sufficient savings cannot be found from the above, then our major works programme will be affected with all the consequences of decline and reduced benefits as already described.

### Annexes

Current 10 Year Financial Summary | A
---|---
Detailed Exploration of Income | B
Detailed Exploration of Expenditure | C
Steady State Costings Exercise | D
RFP 1 | E
RFP 2 | F
RFP 3 | G
RFP 4 | H
RFP 5 | I
Summary of Major Works Underspend | J
Graph showing Venture Income | K

#### Annex K

**Extract of Note of Quarterly Shareholder Meeting with British Waterways on 22 June [2006]**

RE said that the key factor affecting BW’s operations was lack of certainty. Any cut in grant would involve some very hard choices and knock the confidence of BW’s staff. The current grant level would lead to a “steady state”, but any reduction would mean that the target date of 2012 for the elimination of the statutory maintenance arrears would not be achieved, with knock on consequences for steady state. BW could make savings on some of its “softer” activities, eg funding for The Waterways Trust and educational initiatives. It could also raise its licence rates and alienate its customers and commercial operators. All these approaches would be unpalatable, but would be confronted. In the face of all these risks, the contract had to be sustainable.

#### Annex L

**Written Question from the Committee to DEFRA**

*What formal reporting system is in place between the Department and British Waterways? What is reported as part of this system, and how often? What discussions regularly take place as a result?*

1. The 2004–05 review considered the relationship between BW and central government and proposed new governance architecture including new policy and accountability frameworks to give clarity and transparency of objectives; measurement of performance and exploitation of its commercial businesses. Defra formally wrote to BW Chair shortly after the review explaining how relationship between BW and Defra as Shareholder should work in accordance with agreed Corporate Governance Principles.

2. BW was set up as a public corporation, with a considerable amount of autonomy granted to the Board, under the Transport Act 1962. As BW is a public corporation the Department’s interest is as a shareholder rather than more traditional delivery body governance. Defra is helped in this by the Shareholder Executive which has the role of professionalising the Government’s Shareholder role by implementing private sector best practice within the public sector context and making delivery of Government public policy objectives more effective.

3. Defra and the Shareholder Executive continually monitor and review BW’s performance and long-term strategic direction. To complement the long-term Strategy, BW prepares a more detailed Corporate Plan to deliver the Strategy agreed with both the Board and Defra as Shareholder in accordance with an agreed timetable and revised on an annual basis. At the end of each financial year BW submit an annual report of its activities together with its audited annual accounts which are laid before Parliament.

4. The current accountability framework of Jim Knight’s letter to BW of 1 August 2005 setting out priorities for BW; the Corporate Governance Principles; and the Financial Memorandum, ensures that BW keeps sight of our long term objectives through a robust corporate planning and reporting process. The FM was recently revised in March 2007, in consultation with Treasury, the Shareholder Executive and BW, to afford BW as much flexibility as currently possible whilst respecting the need for proper accountability and established a framework and timetable for detailed reporting (below). Under this framework, the BW Board is principally held to account at Quarterly Shareholder Meetings with the Chief Executive and Chair which were initiated by Defra in February 2006 for which BW provides a performance report. This report covers
commercial, operational and waterways maintenance performance. In addition, Defra receives annual in-depth reports on BW's commercial property joint ventures, the state of the network and Stakeholder Views. In combination, this information should allow Defra to assess the efficiency and effectiveness of BW while leaving sufficient autonomy to the Board.

5. In addition to regular meetings and contact between BW and officials, the Minister meets BW at least twice a year to discuss its Corporate Plan and its performance. This in addition to more informal contact. The Minister may, after consultation with BW, give “directions of a general character” in relation to matters which appear to him to be in the national interest” (section 27(1) of the Transport Act 1962).

**Timetable for Shareholder Interaction and Information Exchange**

1. The timetable below has been agreed for the sharing of information between BW and Defra. The timetable and its content may be varied in the light of experience. Where shareholder meetings are held in any month in which there is a Board meeting, the shareholder meeting shall follow the Board meeting. In general terms there are a number of issues which lend themselves to annual reporting, and feed into an annual cycle of discussions on planning (including future expenditure on assets) such as:
   - Long-term income profile, showing in particular any changes in assumptions on venture income, but also including other issues, such as fees and charges.
   - Evolution of network asset “health”—to date and projected over the current Comprehensive Spending Review period, eg movement of the proportion of assets in each condition category.
   - The deliverables by which Government’s requirements for the canal network are to be delivered in network reports.
   - Benchmarking reports (ad hoc or regular) on an agreed basis.

**Timetable**

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<thead>
<tr>
<th>Third week of every month</th>
<th>Application for grant in aid for following month (from FD/other authorised person)</th>
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<tr>
<td>April (QSM months in Bold)</td>
<td>Monthly flow of funds statement</td>
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<td></td>
<td>Quarterly Business Performance report*</td>
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<td>Quarterly shareholder meeting including P10 results and F10 full year forecast,</td>
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<td>Final Business/Corporate Plan,</td>
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<td>Annual report on network “health” and grant use</td>
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<td>Annual return on de minimis disposals and those not subject to open market</td>
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<td>competition (Annex E, paragraph 6)</td>
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<td></td>
<td>Annual report on customer satisfaction and visitor numbers</td>
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<tr>
<td>June</td>
<td>Final outturn figures for preceding financial year</td>
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<td>Draft Annual Report and Accounts (as approved by Board -paragraph 5.4 of the FM)</td>
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<td>Annual report on fraud and theft (paragraph 6.11)</td>
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<td>Report on contingent liabilities (paragraph 4.9)</td>
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<tr>
<td>July</td>
<td>Annual report on compensation payments and losses (paragraph 6.9 and Annex F)</td>
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<td>Publication copy of Annual Report and Accounts (paragraph 5.4)</td>
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<td></td>
<td>List of all projects over £500,000 let between January and June (Annex E, paragraph 11)</td>
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<td>Quarterly Business Performance report*</td>
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<td>Quarterly Shareholder Meeting including P3/F3 results</td>
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<td>Annual in-depth property review§</td>
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<td>Quarterly financial statement</td>
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<td>31 August</td>
<td>Annual report and accounts of the BW pension fund and BWPF Trustees Ltd.</td>
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<td>(paragraph 6.8)</td>
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<tr>
<td>November</td>
<td>Quarterly Business Performance report*</td>
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<td>BW submit Directors’ priorities for next three year BW Business Plan/Corporate</td>
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<td>Plan and target figures for the next three years showing how plan to live within</td>
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<td>Quarterly Shareholder Meeting including Annual discussion on Long Term Strategy,</td>
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<td>P6 (half-year) results and F6 full year forecast</td>
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<td>January</td>
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<td>Quarterly shareholder meeting including Business Plan progress and issues, P9</td>
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<td>results &amp; F9 full year forecast</td>
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<td>Annual Venture Business Plans report.</td>
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§ This in addition to the regular property reporting piece in the Quarterly Pack.
Further supplementary memorandum submitted by the Department for Environment, Food and Rural Affairs (BW 47c)

1. What is the Government’s view about the most appropriate long-term financial framework for British Waterways?

**Longer-term funding contract**

*In the Westminster Hall debate of 27 March 2007, the Minister for Waterways, Barry Gardiner, said:*

> We are working with [British Waterways] to develop a long-term future funding model, and to give it the flexibility to engage in more commercial activity to help it to improve its income stream and enable the Government’s grant-in-aid to be reduced over time. That has always been its intention. We are awaiting its proposals for a regulatory reform order to that effect.*10*

Defra has asked British Waterways (BW) to come forward with a range of scenarios and workable proposals for changing its framework. We will take a view once we have received these proposals. The supplementary memorandum by Defra of 24 April on commercial freedoms and the extract of the meeting on 14 November submitted on 2 May refer.

2. What is the “long-term future funding model” currently in development with British Waterways, referred to in the recent Westminster Hall debate?

As above, BW is currently considering a number of proposals and strategic options on their status in order to deliver wider freedoms. We have also been considering with BW the scope for a longer term contract which would give more certainty to BW on the level of grant they can expect related to the outcomes we would expect to see on the state of the network (see below).

3. What problems are there in granting British Waterways a longer funding contract, such as one of seven years?

*In the Westminster Hall debate of 25 April 2007, Barry Gardiner said:*

> . . . I was not prepared to sign up to a long-term settlement with BW, as I was urged to do so, until I could see clearly the way in which such a settlement would bring the network to a gradual, timetabled conclusion in steady state.*11*

There are three issues in granting BW a longer term funding contract.

First it would need to be affordable to Defra taking into account possible other pressures that might arise and any contract which is for more than one CSR period carries greater financial risk. The contract therefore would have to be attractive enough for Defra to believe it is worth the risk.

Second, implications for the longer term beyond say the seven years suggested need to be understood as delayed funding for asset maintenance can lead to increased pressures over time.

Third, therefore, such a longer term contract should be set in a context where there is sufficient total income planned to deliver an appropriate condition of the network. We do not yet have enough certainty that BW can use its income growth to deploy sufficient funding into the network to achieve this.

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*10* col 387WH.

*11* col 291WH.
4. Was a long-term settlement previously offered to the Minister which he refused to sign, as suggested in the Westminster Hall debate of 25 April? What were the terms of any such settlement, why did the Minister refuse to sign it, and when did this occur?

This refers to discussions within Defra. The 2004–05 review recommended that the Government should commit to longer term funding on a contractual basis. Defra and the Shareholder Executive have been discussing with BW for some time an appropriate and realistic amount of public funding that could be made available under such a contract. This would be in the context of a funding and accountability framework that would provide for the measuring and monitoring of operational performance and appropriate audit of contractual performance.

As part of these ongoing discussions, officials met the Minister on 6 February to discuss a possible four-year funding contract based on 5% year-on-year real term reductions in grant which had been discussed in detail with BW. Following discussion, the Minister asked for more transparency on the income and expenditure figures including efficiency savings. He asked for a business plan showing years beyond 2010–11 towards achieving a steady state for the network. He also asked for details of changes that might be made to boost BW’s own income. He asked for a “complete picture” that showed what state of the network would be achieved in return for a given public investment. It was then decided not to pursue this funding contract until more assurance on these matters could be achieved.

The prospect of further capital following the CSR settlement could not be part of such a contract proposal at that time as decisions had still to be taken (autumn 2007) but it was not ruled out.

COMMERCIAL FREEDOMS

5. At what stage are the discussions to allow British Waterways greater freedom in the areas in which it can operate commercially? What constraints exist from preventing this occurring?

The Supplementary Memorandum submitted by Defra on BW Action on Commercial Freedoms on 24 April and the Extract from the Meeting with BW on Tuesday 14 November submitted on 2 May to the Committee again refer. The action rests with BW at present.

BORROWING POWERS

6. What would have to be done to allow British Waterways more borrowing powers, and what progress is being made to achieve this?

An increase in commercial borrowing powers would require a change in status. BW is undertaking a strategic options review which will consider what changes to status might allow BW to raise commercial debt in its own right rather than through joint ventures. It is theoretically possible to amend legislation to increase BW’s borrowing limit from Government but any such increase would need Defra Departmental Expenditure Limit cover. However, the current fiscal restrictions requiring Departments to live within their existing budgetary control totals, mean an increase in the near future is highly unlikely.

BRITISH WATERWAYS’ ARREARS BACKLOG

7. When did British Waterways first confirm to the Department that it would not meet its 2012 maintenance arrears target, and what did it say were the reasons for this? When did British Waterways first tell Defra about the need to take account of non-principal assets, as well as principal assets?

There has been some confusion between the terms maintenance arrears target and what assets are included in that, elimination of the backlog and steady state.

We believe the first reference was when BW told the Quarterly Shareholder Meeting on 22 June 2006 that any cut in grant would mean the target date of 2012 for elimination of arrears would not be achieved. An extract is included in the papers sent to the Committee on 2 May. These papers also contain BW’s July 2006 CSR submission which set out BW’s new approach to asset management, the consequences of which were developed subsequently and confirmed in later correspondence as provided. There is mention of moving away from the concept of arrears. During this period the scale of the backlog in relation to non principal assets and the implications of the change to the steady state approach began to emerge as more work on different assumptions was completed.

The first time we were made aware of a rise in D and E assets from 10–15% was in 22 December 2006 CSR submission (also included in the papers sent to the Committee). Latterly it became clear that this rise to 15% D and E would only be achieved by 2016 rather than 2012.
8. When did British Waterways first inform the Department about its new 2016 maintenance arrears target date?

Whilst the Department had seen projections that might under certain scenarios deliver D and E assets at 15% by 2016 in the 22 December 2006 CSR submission, we had not seen this expressed as a new target date before the Chairman’s letter of 20 April.

Department for Environment, Food and Rural Affairs

May 2007

Further supplementary memorandum submitted by the Department for Environment, Food and Rural Affairs (BW 47d)

Letter from Barry Gardiner MP, Minister for Biodiversity, Landscape and Rural Affairs to the Chairman of the British Waterways Sub-Committee

Thank you for your letter of 9 May 2007 requesting notes of telephone calls and a full set of correspondence between Defra and British Waterways since June 2006. I write to confirm the Parliamentary Clerk’s email of 15 May 2007 which I am happy to expand on further.

Records of telephone conversations with British Waterways and other partners—which as you can imagine are frequent—are not as a matter of course kept. Occasional notes may be taken where there is a specific action or outcome, but this would normally be subsumed in follow up work.

As I made clear during my evidence to the committee I am keen there should be as much transparency as possible. We have sent you the exchanges we can find which are directly pertinent to your inquiry. British Waterways have not identified any others so far as we know. There is a large volume of email traffic over the last year which we do not think would be productive for the committee to wade through.

I would be happy to discuss this if you feel that further clarification is needed.

6 June 2007

Further supplementary memorandum submitted by the Department for Environment, Food and Rural Affairs (BW 47e)

Letter from Barry Gardiner MP, Minister for Biodiversity, Landscape and Rural Affairs to Tony Hales, Chairman, British Waterways

It seems that we still have a long way to go to establish the open and transparent communications that I have repeatedly sought between British Waterways and Defra. Whilst I welcome BW’s desire to progress the structures review to establish what greater freedoms BW might benefit from I am hugely disappointed that neither my officials nor I were informed prior to your putting the options paper out to tender.

BW were fully aware that I had explicitly said that I was happy for you to consider all options except privatisation. I am therefore exasperated that you invited tenders for consultancy advice that included privatisation. I feel strongly that you should have raised this specific point with me when we spoke about the future on our Bow Back Rivers trip the very day before you put the options paper out.

I cannot believe that BW considered that I would not be concerned by this action. Nor do I consider that BW did not believe that there was a risk that the decision to include privatisation would leak and become public as it now has.

If we are to get things finally onto an even keel than BW must take seriously the Government’s positions as sole shareholder. Your duty as chairman is to direct the company to maximising shareholder benefit. I am unconvinced that this currently happening.

I will ask my office to arrange a meeting with you to discuss where we go from here.

10 June 2007
Tuesday 8 May 2007

Members present:

Mr Michael Jack
David Lepper
Sir Peter Soulsby

David Taylor
Mr Roger Williams

Further supplementary memorandum submitted by British Waterways (BW 11d)

OVERVIEW

BW is concerned that the information provided to the sub-committee on 23 April 2007 has caused confusion. It surprised us as we had spent the last nine to 12 months engaging with the Department about the long term funding needs of BW. It recognises that the figures related to this subject are complex and that we must clearly renew our efforts to explain them to the Department.

The Minister raised a number of points—they are answered in detail below, via our answers to the Committee’s questions. However, in essence he raised three main issues that need to be clearly addressed at the outset:

A) BW was not transparent—a process demonstrated by its failure to respond to his repeated requests until 20 April 2007. (eg Q429 or Q432)

The Minister wanted a very specific comparison with our 2002 10 year plan. His detailed request for this was made on 16 April 2007 and BW provided the information on 20 April 2007 in the Chairman’s letter to the Minister. See answer to Question 1 below.

The Minister appeared to believe that the data provided on 20 April contained:

— information relating to elimination of arrears and “steady state” previously unknown to him or the Department. The Department was in fact aware of this information—see summary B below and answers in detail to Question 10. Documented discussion of these issues with the Department goes back at least to 22 June 2006.

— information showing that BW had in the past had more income than expected and would also do so in the period to 2012 thereby making the current grant cuts and any future ones irrelevant. This is not a helpful interpretation of the figures. See summary C below and answer in detail to Question 4.

B) BW got its projections about the future state of the network wrong (Q433) and the network is in a worse state than BW originally admitted (Q439)

This statement seems to arise from the belief that “elimination of arrears by 2012” (ie no more than 10% principal assets in condition D and E) and achieving “steady state” are the same thing. They are not and BW has never claimed they are. Question 10 documents the discussions with the Department explaining this since June 2006—the discussions included a meeting with the Minister on 27 November 2006, as well as a subsequent fully documented CSR bid on 22 December 2006.

This is important because the Minister seemed to believe that this constituted a revelation of a hitherto unknown deterioration of the state of the network. It does not.

Quite simply, in 2002 BW used the arrears of maintenance on principal assets as its yardstick for assessing the condition of the system. The measure had served it well since the mid 1990s.

From 2004, in keeping with developing best practice in asset management, BW began to develop a more holistic approach known as “steady state”. Ongoing discussions to explain the changes were held with the Department throughout. The Department was formally aware of this at least from 22 June 2006, as BW prepared to integrate the “steady state” model into its business planning for the period 2007–08 to 2010–11.

Use of the “steady state” model led BW to recommend a different profile of principal assets in condition D&E (15% by 2016). This is a new judgment, based on better information than available in 2002, representing in our view better value for the taxpayer. We are concerned that this has been represented as a worsening in condition of the system. It is not.

C) BW had had in the past more income than expected and would also do so in the period to 2012 thereby making the current grant cuts and any future ones irrelevant. (eg Q433)

To make sense of the comparison, it is necessary to divide the period 2002–12 into two parts—the past (that money is after all now spent on agreed projects) and the future ie 2007–08 to 2010–11. The full answer is in our response to Question 4, but the summary position is:
2002-03 to 2006-07

BW delivered £61.6 million more commercial income during this period than planned in 2002 (see table in response to the committee’s question 4)—an excellent result.

BW is obliged by law to balance its income and expenditure and so this additional income plus additional grant of £8.9 million (from Scottish Executive) was spent (see table in response to committee’s question 4) over the same period. The pros and cons of spending more on arrears during this period were fully discussed with the Department and Ministers at the time. All agreed we had the balance right.

The main areas in which the money was used were:

— costs to support new business developments (£24.8 million);
— investment to reduce long term costs eg redundancy payments (£10.6 million);
— increased pension costs as a result of actuarial valuation (£7 million);
— accelerated investment in arrears with safety concerns (£7.4 million);
— spend on other assets and general repairs and maintenance (£4.5 million); and
— spend on waterway customer service improvements eg sanitary stations, water points etc. (£7.1 million).

This excellent performance left BW with an expanded network, a safety related backlog eliminated on time (April 2004) and also at 31 March 2007 the backlog of arrears reduced to £107 million (latest estimate—see answer to Committee question 9 just about exactly on the target of £110 million set out in our 2001–02 Annual Report and Accounts.

2007–08 to 2010–11

Looking forward, we do not recognise the figure suggested of an additional £10 million income in this period. We estimate it will be higher at £15.2 million. See table in answer to committee question 4.

However despite this improvement in income, if an assumption of a decline in grant from its already substantially reduced level is made by the much-discussed RPI -5% (a figure the Department encouraged us to use for planning purposes), we believe that despite reducing our operating costs and expenditure on the waterways by £52.9 million compared with the 2002 10 year plan, there will be a net shortfall of £44.9 million in necessary expenditure over the period 2007–08 to 2010–11. It is not appropriate to assess total expenditure over the whole ten year period because the expenditure before 2007–08 is now made and cannot be redirected to future deficit, even if, with hindsight, the Government now wished to do so.

This projected shortfall will not cause immediate crisis, but the positive gradual elimination of the consequences of thirty plus years of severe underinvestment will halt and we will be returning to old-style gradual and at first imperceptible decline. The Board believes it is responsible to make this clear to Defra.

Although it is complicated, we know it concerns many of our stakeholders who have been delighted with the hard-won positive improvements of the past 10 years.

DETAILED ANSWERS TO COMMITTEE QUESTIONS

In the oral evidence session on 23 April, Barry Gardiner MP provided the Sub-committee with a set of figures he received from British Waterways on 20 April.

1. Bearing in mind the Minister’s comments on 23 April, could British Waterways provide its own interpretation of the figures it sent to the Minister on 20 April?

The request for the 2002 10 year Plan comparison was first received by BW on 16 April 2006 and the figures were provided the same week on 20 April.

The only previous request came from Martin Hurst, a senior civil servant, to the BW Chairman on 6 March 2007. We provided these figures in a letter to the Minister on 11 April 2007.

BW has been fully transparent with Defra in its provision of financial and management information. The detail relating to the figures is explained in the following questions. BW has changed its asset management strategy and deferred the Arrears target of 2012 because it believes best value can be obtained by a new “steady state” approach which involves diverting some funds from Arrears towards non-principal assets.

BW could still achieve the 2012 Arrears target under current funding circumstances but at the expense of proper maintenance of all the network using the “steady state” model.

See also our answer to Summary point C above.
2. Please provide a breakdown of the "Operating and admin costs" row in the table, from 2006–07 onwards, by: (a) operating costs; (b) organisational running costs; and (c) works. Please provide this breakdown for both the planned (ie 2002 Plan) and the actual accounts/forecasts.

The schedule below provides an analysis of the actual operating costs over the nine years from 2002–03 to 2010–11. There have been many changes to the reporting structures during that period which makes explanation at a more detailed level impossible.

The 2002 Plan for the Future was a high level forecast and the operating costs are not broken down in sufficient detail to enable any meaningful comparisons.

With regard to future operating costs, a detailed analysis of operating costs and costs by business areas is provided in the BW Corporate Plan 07/08 to 10/11 below.

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* per the schedule provided to the Minster

With regard to future operating costs, a detailed analysis of operating costs and costs by business areas is provided in the BW Corporate Plan 07–08 to 10–11 below.
### British Waterways

#### Profit and Loss

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<td>(1,217)</td>
<td>(1,211)</td>
<td>(376)</td>
<td>(1,626)</td>
</tr>
<tr>
<td>BW Share of Joint Ventures CBT</td>
<td>2,676</td>
<td>8,500</td>
<td>5,846</td>
<td>13,099</td>
<td>14,479</td>
</tr>
<tr>
<td>British Waterways Marinas Limited</td>
<td>384</td>
<td>820</td>
<td>1,091</td>
<td>1,303</td>
<td>1,605</td>
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<tr>
<td>Corporate HQ Departments</td>
<td>(33,751)</td>
<td>(28,363)</td>
<td>(28,251)</td>
<td>(29,313)</td>
<td>(29,640)</td>
</tr>
<tr>
<td>Grant</td>
<td>70,606</td>
<td>68,037</td>
<td>66,764</td>
<td>65,521</td>
<td>64,306</td>
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<tr>
<td><strong>CBIT before Contingency</strong></td>
<td>1,947</td>
<td>2,802</td>
<td>1,988</td>
<td>5,968</td>
<td>5,826</td>
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<tr>
<td>Interest Payable (exc. Joint Ventures)</td>
<td>(4,010)</td>
<td>(3,557)</td>
<td>(3,423)</td>
<td>(3,369)</td>
<td>(3,312)</td>
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<tr>
<td>Interest Receivable (exc. Joint Ventures)</td>
<td>2,673</td>
<td>1,450</td>
<td>1,425</td>
<td>1,150</td>
<td>1,125</td>
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<tr>
<td>CBT - Revenue before Contingency</td>
<td>610</td>
<td>695</td>
<td>(10)</td>
<td>3,759</td>
<td>3,639</td>
</tr>
<tr>
<td>Contingency</td>
<td>(1,000)</td>
<td>(3,000)</td>
<td>(3,000)</td>
<td>(3,759)</td>
<td>(3,639)</td>
</tr>
<tr>
<td>CBT - Revenue after Contingency</td>
<td>(390)</td>
<td>(2,305)</td>
<td>(3,010)</td>
<td>-</td>
<td>0</td>
</tr>
</tbody>
</table>
3. How does capital expenditure fit into the table?

   The schedule shows revenue income and expenditure and therefore does not include capital expenditure.

   Waterways expenditure, both general works and major works (including Arrears) is treated as a revenue expense and fully written off to Profit and Loss accounts as incurred. These treatments have been standard accounting practice in BW for many years and are in accordance with UK GAAP and IFRS.

   BW separates capital cash flows from revenue cash flows and has separate bank accounts for each. Capital cash flows are primarily concerned with our commercial interests in particular property investments and disposals and joint venture activities. Property net rental income and dividends from joint ventures are treated as revenue income.

4. Does British Waterways acknowledge that—even with an assumption of RPI -5% over the Comprehensive Spending Review (CSR) 08 period—it has received £30.1 million more than forecast (in 2002) over the 10 year period in the table, and is estimated to receive about £10 million more than forecast between 2006–07 and 2010–11?

   The figures quoted in the above question are taken from the schedule supplied by BW to the minister on the 20 April. The figure of £30.1m million is the net of £78m of additional commercial income and £48m less grant over the 10 year period. The figure of £10m is not readily obvious from the table—we believe the correct figure is higher—£15.2m. For the purpose of separating the history from the future, the table below summarises the income and expenditure figures from 2002–03 to 2006–07 and from 2007–08 to 2010–11.

### SUMMARY OF VARIANCES FROM 2002 PLAN FOR THE FUTURE

<table>
<thead>
<tr>
<th></th>
<th>2002–03—</th>
<th>2007–08—</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2006–07</td>
<td>2010–11</td>
<td></td>
</tr>
<tr>
<td>Commercial income variances</td>
<td>61.6</td>
<td>15.2</td>
<td>76.8</td>
</tr>
<tr>
<td>Grant variances</td>
<td>8.9</td>
<td>(56.7)</td>
<td>(47.8)</td>
</tr>
<tr>
<td>Income variances</td>
<td>70.5</td>
<td>(41.5)</td>
<td>29.0</td>
</tr>
<tr>
<td>Operating expenditure variances</td>
<td>(63.5)</td>
<td>52.9</td>
<td>(10.6)</td>
</tr>
<tr>
<td>Restoration and Regeneration variances</td>
<td>(4.5)</td>
<td>(8.0)</td>
<td>(12.5)</td>
</tr>
<tr>
<td>Expenditure variances</td>
<td>(68.0)</td>
<td>44.9</td>
<td>(23.1)</td>
</tr>
<tr>
<td>Net variance</td>
<td>2.5</td>
<td>3.4</td>
<td>5.9</td>
</tr>
</tbody>
</table>

Period 2002–03 to 2006–07—the past

In summary commercial income exceeded the 2002 Plan for the Future by £61.6m, a remarkable performance, which together with additional grant income of £8.9m totals extra income of £70.5m over the five year period.

There were of course additional costs totalling £25m incurred in achieving this income and supporting new business developments. We also invested £10m to reduce long term costs, for example redundancies that were not envisaged in 2002. A further £7m was spent on pension costs resulting from actuarial changes in life expectancy.

Some £19m was spent on the waterways as follows:
- an additional £7.4m reducing the safety related backlog of arrears
- £4.5m on other repairs and maintenance
- £7.1m on waterway services enhancements.
These variances in commercial income and operating expenditure are summarised in broad terms in the table below.

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</thead>
<tbody>
<tr>
<td><strong>Analysis of Income variance</strong> (approx) £m</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ventures income</td>
<td>2.4</td>
<td>1.0</td>
<td>2.9</td>
<td>5.8</td>
<td>0.1</td>
<td>12.2</td>
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<td>Investment property income</td>
<td>4.0</td>
<td>2.7</td>
<td>2.4</td>
<td>1.9</td>
<td>2.2</td>
<td>13.2</td>
</tr>
<tr>
<td>Severn Trent Water Discharge Income</td>
<td>8.0</td>
<td>4.0</td>
<td>4.0</td>
<td>2.9</td>
<td>5.5</td>
<td>24.4</td>
</tr>
<tr>
<td>Other Income</td>
<td>(0.1)</td>
<td>0.2</td>
<td>(0.1)</td>
<td>(0.1)</td>
<td>(0.1)</td>
<td>(1.1)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>14.3</td>
<td>7.9</td>
<td>14.1</td>
<td>16.2</td>
<td>9.1</td>
<td>61.6</td>
</tr>
</tbody>
</table>

| **Analysis of Expenditure variance** (approx) £m |          |         |         |         |                     |               |
| Customer service improvements | 5.1      | 2.0     |         |         |                     | 7.1           |
| Business reorganisation costs | 5.0      | 1.1     | 1.1     | 1.1     | 5.6                 | 10.6          |
| Liverpool Docks operating costs | 1.1      | 1.1     | 1.1     | 1.1     | 5.5                 |               |
| Costs to support new business developments | 4.3      | 7.9     | 6.6     | 6.0     |                     | 24.8          |
| Cost reductions and special factors 2006–07 | (4.0)    | (4.0)   |         |         |                     |               |
| Safety backlog         | 5.6      | 1.8     |         |         |                     | 7.4           |
| Other asset repairs and maintenance | (2.6)    | 3.9     | 6.0     | 3.6     | (6.4)               | 4.5           |
| Pension fund deficit payments | 2.3      | 2.3     |         |         |                     | 7.0           |
| Other                  | (0.2)    | 0.4     | (0.5)   | (0.1)   | (0.1)               | 0.6           |
| **Total**             | 3.9      | 21.6    | 20.3    | 13.1    | 4.6                 | 63.5          |

**Period 2007–08 to 2010–11—the future**

Looking forward, the additional commercial income of £15.2 million is negated by grant reductions of £56.7 million to result in a net adverse variance against the 2002 Plan of £41.5 million less income overall. This reduction includes additional commitments to future restoration and regeneration projects which have a forecast net cost of £8 million greater than the 2002 Plan. Taking these together, operating costs are forecast to be £52.9 million lower than forecast in the 2002 Plan. These operating cost reductions include some efficiencies but also means lower spend on maintenance and major works on the waterways.

5. What explains the predicted £25 million increase in earned commercial income between 2006–07 and 2010–11, compared with the amount forecast?

The positive variance arises because, like any commercial company, BW seeks continually to improve its performance and it would be surprising of our current assessment for the years 2006–07 onwards did not differ from the forecast in 2002.

The table below provides a high level analysis of the commercial income variance of £24.3 million between the latest Business Plan and the 2002 Plan for the five years to 2010–11.
6. How much of the expected earned commercial income from 2007–08 onwards will be generated through measures taken in direct response to the expected lower grant levels over the CSR 07 period (eg increased license fees)?

BW’s plan was prepared on the basis that it would always strive to optimise earned income from all sources. Therefore the reduction in grant had minimal effect on our earned revenue projections.

The only specific change to BW’s planned commercial income forecast that has arisen as a direct result of the grant cuts is the proposal to increase boat licence fees by 30% in real terms phase in over three years from April 2008.

In oral evidence to the Sub-committee, British Waterways said:

“our vision is to be increasingly self-sufficient . . . in an ideal world . . . in 2012 we would like to have only 25% of our money coming from the Government . . . How do we get to that 25%? . . . firstly . . . we get rid of the backlog and we stop having these very expensive assets which are in poor repair to put right”

7. Can British Waterways confirm that its intention to become “largely self-sufficient”—and operate on a “Steady State” basis—by 2012 will now not be met? Can British Waterways confirm that it now aims to achieve Steady State status by 2016?

See Summary point B above. This question repeats the confusion that elimination of arrears by 2012 and “steady state” are the same. They are not.

This question brings together three related but different topics. Please refer to our previously submitted paper Network and Asset Management for a detailed explanation of “Steady State” and “Arrears” (ref. Sections 3 and 4). We explain each in turn.

LARGELY SELF SUFFICIENT

It is BW’s intention to become largely self-sufficient.

The phrase “largely self sufficient” is a relative term so it means that the proportion of grant funding should become a smaller percentage of total income over time. Hence the comment that, “in an ideal world in 2012 we would like to have only 25% of our money coming from Government.”

Generally, the 25% target can only be achieved if BW can grow commercial income at a faster rate than the growth in operating costs.

Our Plan for the period 2007–08 to 2010–11 sees self sufficiency increase with government grant decreasing from 44% of income in 2006–07 to 36% in 2010–11. (It was 60% in 2002).

BW has set stretching targets for commercial income growth. In our Plan for the period 2006–07 to 2010–11 commercial income grows by 29% from £88 million to £114 million. The strategy includes the growth of joint ventures to maximise returns from the development for its property assets. All available sources of commercial income are being sought from the waterways and the estate is managed in the most commercial manner possible, as is consistent with BW’s values and standards. The Plan also includes a 30% plus inflation increase in boat licence prices spread over three years.

Reducing costs and operating more efficiently will also help to achieve greater self sufficiency.

Operating expenditure comprises routine waterway maintenance, expenditure on Major Works as well as routine administration and management costs. We have already delivered phase 1 of a continual efficiency programme to reduce costs. Circa 150 staff left BW in 2006–07 which will yield an annual payroll saving of around £5 million from 2007–08 onwards. Further reorganisation of the Business Units (particularly the operational bank staff) now underway will yield more efficiency savings and these are built into our Plan for 2007–08 to 2010–11.

STEADY STATE

The term Steady State should not be confused with either the original 2012 target for the elimination of Arrears nor the “largely self sufficient” aspiration. It is a new model which BW has developed progressively since 2004. It allows BW to assess the ideal spend on the waterways taking account of a wider range of assets than simply the principal assets included in the original 2012 arrears target.

Steady State is the estimated cost of maintaining the waterways in a constant condition under a planned maintenance regime. It assumes that there are no longer arrears of any type. BW’s current estimate of the Steady State budget is £124 million per annum at 2006–07 prices. The Steady State concept has been developed over the last three years but only fully integrated into our planning for 2007–08 and beyond in the current CSR discussion. The latest BW business plan does not achieve Steady State at any point. Based on the levels of funding available in the Plan, general maintenance has been planned at 85% of the Steady State budget and major works expenditure has been planned at 80% of the Steady State budget. The consequence of this is that the general maintenance standards of the waterways remain below the desired customer service standards and that all the major assets are in gradual decline. The longer term projections show that there is not sufficient funding or commercial income to achieve Steady State at any point in the foreseeable future, which includes 2016 and beyond.
The 2012 Arrears Elimination Target

The 2012 Arrears elimination target was an estimate of the cost to bring the percentage of principal assets with condition grade D&E from around 30% in 2002 to 10% by 2012. At the time it was made (2002), principal assets were still seen as the priority for repair. The steady state model has now replaced this target in our thinking.

Arrears are a tightly defined group of Principal Assets that have significant operational implications or high consequences of failure. The term Arrears specifically excludes all other non principal assets and other major liabilities.

The achievement of the 2012 Arrears target will not achieve Steady State and will not make BW largely self-sufficient.

Based on the assumed level of funding and income, BW has reassessed its arrears elimination strategy and redefined the target as the number of assets in D&E condition of no greater than 15%. The projections show that this may be achieved by 2016. This does not mean that the state of the waterways has in any way worsened, simply that with a more sophisticated assessment technique than was available in 2002 and in order to achieve best value, BW is now recommending that the available money be spent in a different way in some greater spend on Non-principal assets and slightly less spend on arrears of principal assets.

8. Is the current maintenance back-log £97 million or £107 million?

The figure of £97 million given in BW’s submission to the Committee was the figure we had planned to achieve when we created the business plan for 2006–07.

The figure of around £107 million provided to the Minister on 20 April was BW’s latest estimate based on year end asset management assessment, a process explained below. It should be noted that if the figure is confirmed at £107 million, it will be very close to the target set for 2006–7 in our Annual Report & Accounts for 2001–02—see also answer to Committee question 9.

Each year following the year end BW reassesses the arrears based on an analysis of the actual impact of the works carried out in year, an adjustment for continuing asset deterioration, additional assets, and an assessment of construction cost inflation. This is done by our asset management teams and takes some time. Indeed the exercise is not yet complete and the estimate is still subject to change.

This is a process we follow every year prior to the finalisation of our Annual Report and Accounts.

The asset management assessment is normally different from the expenditure shown in the management accounts. This is because all the costs allocated to a project involving a principal asset will not necessarily be associated with improving its condition grade. An example would be a project to refurbish a lock. The concerned asset would be the structural condition which is important. More money may be spent on non structural issues for good sensible value for money reasons. For example the lock approaches may be improved and some additional mooring points added. These latter costs are properly posted through the management accounts against the project, but do not finally impact on the arrears backlog.

When BW provided the £97m figure to the Committee, we were aware that, due to our broader asset management approach, grant cuts, and emergency works arising in the year such as two canal breaches, we were expecting to spend less than originally planned on our principal assets (arrears). We therefore checked the best information we had at that time—our forecast spend on Arrears at that time. Our management accounts forecast predicted a year end spend on arrears of £22 million. Since the outstanding Arrears at the start of 2006–07 was £119 million, this seemed to confirm that the £97 million was a reasonable out-turn figure.

What we were not able to do at that time was make the assessment of the split of expenditure from a strictly asset management view. In the run up to the year end we are extremely busy in actually completing projects and working hard to have the network available for the new cruising season. There were 91 major works projects that both started and were completed in the financial year 2006–07. However, many projects run over two or three financial years. The total number of projects that had an expenditure greater than £20,000 during 2006–07 was 190.

The difference between our management accounts and our asset management assessment is larger than normal this year. This largely arises from our progressive shift of spending almost exclusively on arrears in the past to a broader range of projects under the general heading of major works.

The headline arrears figure is now less important to us under steady state than the annual major works expenditure.

9. Why was £25 million not spent in 2006–07 on the maintenance arrears back-log as expected, and why? How much was spent on the back-log during this period?

In our 2006–07 Business Plan we planned to spend a total of £25.4 million (excluding externally funded works) on Arrears and other Major Works, £25.2 million of which was allocated to Arrears.

The estimated final expenditure on Arrears and other Major Works is £22 million (excluding externally funded works), of which around £15.5 million was spent on Arrears.
The overall reduction in expenditure results firstly from our decision to defer £5.6 million of expenditure as a response to the grant cuts made by Defra in late 2005–06 and “in year” in 2006–07. With such short notice, this is the only significant change in expenditure BW can make. Due to our success in earning more commercial income than expected, we were able late in the year, to allocate £2.2 million back into Arrears and Major Works, resulting in a final overall reduction of £3.4 million.

The reduction in Arrears spending of around £9.9 million is greater than the overall reduction in expenditure for a number of reasons.

The first reason is that as a result of the move during the year to a broader approach looking at all our assets, principal and non principal, we decided to reduce the amount of expenditure on arrears and allocate some funding to projects involving non principal assets. This amount is estimated to be around £2.2 million.

The second reason is that during the year we also allocated funds to some of our reservoirs to complete works which were required as a result of inspections by Independent Statutory Reservoir Engineers. These works were required under the Reservoirs Act 1974. The cost of these works was £2.8 million.

The third reason is that we had some asset failures and emergency works during the year which required funds totaling around £1.5 million.

In our 2001–02 Annual Report we predicted that the outstanding Arrears liability at March 2007 would be in the region of £110 million. We expect the current figure, once we have completed the year end assessments, to be in the region of £110 million. This shows that despite our decision to reduce spending on arrears in the last year we are actually on plan re the original 2012 target. It is our clearly stated intention to take a different approach from now on looking at all our assets together while ensuring public safety.

10. **When did British Waterways first confirm to the Department that it would not meet its 2012 maintenance arrears target, and what did it say were the reasons for this? Did British Waterways previously tell Defra about the need to take account of new non-principal assets? If so, when?**

(a) **June 2006 Quarterly Shareholder Meeting**

The first recorded mention of 2012 Arrears target not being met was in the minutes of a Quarterly Shareholder Meeting with Defra and the Shareholder Executive on 22 June 2006. Paragraph 7 of those minutes records that “The current level of grant (pre-any cuts) would lead to a ‘steady state’ but any reduction would mean that the target date of 2012 for the elimination of the statutory maintenance arrears would not be achievable, with knock on consequences for steady state.”

(b) **July 2006 CSR07 Submission**

BW submitted its first CSR07 paper in late July 2006. That paper included an explanation of the new Steady State approach. Annex D to that paper includes a detailed description of Steady State, Customer Standards and the new Asset Management Strategy and notes in section 1.4 that:

“To date we concentrated on our Arrears programme, on dredging and on lock gate replacement. We believe that the risks posed by our principal assets allow us to move away from the concept of Arrears. We have a backlog of non arrears major works required on our infrastructure. We need to balance this demand against our previous determination to focus on Arrears. It is now our view that we should consider both aspects as a single issue.”

Section 1.4 goes on to provide greater detail.

The CSR07 submission was discussed in subsequent correspondence and telephone conferences and is evidenced by an email from Robin Evans to Sabine Mosner (the senior official in the Department then responsible for British Waterways) dated 14th August 2006 which includes the statement:

“Our submission suggests that it is wrong to seek elimination of arrears before tackling other major works. Now that the worst arrears projects have been dealt with, it is more sustainable to look at principal assets and other major works together and prioritise using our business criticality index.”

(c) **November 2006 Briefing to Minister**

On 27 November 2006, The BW Chairman and Chief Executive met the Minister and (amongst other things) explained the “steady state” and major works concept and the forward funding issues that arose. This was a prelude to BW’s second CSR submission—see below.
(d) December 2006 CSR07 submission

BW's second CSR submission was made on 22nd December 2006 by letter and supporting schedules to Sabine Mosner. This is a comprehensive document and includes clear references to major works underruns in the Summary and in section 8, particularly paragraph 8.3.9 which says,

"Following our analysis under Steady State, we concluded that we could not afford to reduce D and E assets to these levels [8% plus 2%] if we are also to keep on top of other major works of repair and renewal to non principal assets."

Paragraph 8.3.10 also clarifies that the revised approach is to aim for D assets of 12% and E assets of 3%. Annex J to that letter shows Arrears expenditure profiles extending out to 2015–16.

(e) January 2007 Arrears schedules

BW submitted a schedule of planned arrears expenditure and principal asset condition profiles to Sabine Mosner on the 19 January 2007. The schedule shows that the 2012 target will not be met and that by 2015–2016 15% of Principal Assets will be in condition D&E.

(f) February 2007 Capital grant submission

BW submitted a letter to Sabine Mosner on 9 February 2007 in respect of an application for a further capital grant allocation from Defra. The letter explains again the new Asset Management Strategy. In particular paragraph 4.3 states:

"Our original asset management target was to have no more than 8% in condition D and 2% in condition E by 2012."

and paragraph 4.4 states:

"Following all our analysis under the reduced funding scenarios proposed in CSR07, we have concluded that BW will not be able to afford to reduce D and E assets to the levels in 4.3 above."

Paragraph 4.5 goes on to explain that BW's revised approach is to aim for 12% in condition D and 3% in condition E by the time all repair arrears have been eliminated.

In addition to the above documentary evidence there have been extensive discussions of these subjects in meetings between Defra, the Shareholder Executive and BW.

(g) March 2007 EFRA Committee submission

BW submitted a paper to EFRA Committee on 8 March 2007 titled Network and Asset Management.1 This clearly sets out the relationship between Principal Assets, Non Principal Assets, Arrears and Steady State.

In paragraph 4.7 it states, “Because we have tackled the worst of the Principal Asset arrears, we believe we can now reduce our targets for reduction of arrears and reallocate funds to non-principal assets and day to day maintenance”.

In paragraph 4.8 it states, “Our previous target of removing outstanding arrears by 2012 will, therefore, not now be met.”

11. When did British Waterways first inform the Department about the new 2016 maintenance arrears target date?

See above answer.

12. How significant were (a) funding pressures (b) non-principal assets and (c) other factors in the decision to move back the maintenance arrears target by 2016? Please quantify each factor by cost.

As explained in the answer to Question 10 and in the paper titled Network and Asset Management, the decision to plan to change the arrears target was the result of a reassessment of how to obtain best value for money in maintaining the whole of the network.

The revised targets are clearly influenced by the level of grant we receive as the more resources available to us the more major works we can undertake.

It is important to recognise that if it wished BW could still achieve the original 2012 target of 8% D and 2% E. We just do not consider this to deliver best value for our customers and stakeholders.

In oral evidence to the Sub-committee, the Minister said:

“... every time [British Waterways] expanded the network... there were new principal assets which they had to maintain and the maintenance of those had not been factored into the [Asset Management] programme; a very simple error in the calculations.”

1 Ev 74.
13. How many new principal assets have been added by restoration of the network since 2002?

As restorations or additions to the network are completed the assets are added to the asset management system. The principal assets are graded and any in condition D and E would be considered in the year end assessment of the outstanding arrears. The new or restored canals are also added to our Steady State cost model, but as previously explained, the model assumes that the additions have no backlogs of maintenance.

Therefore, the year end arrears figure (see answers to Q8 and Q9 above) will include all the restorations or additions except the Stroudwater Canal (Cotswolds). Our Steady State estimate of £124 million per annum also includes all except the Stroudwater.

The Minister’s assertion (Q453) that the principal assets arising from restorations are not included in BW figures is therefore not correct.

Not all restorations add significantly to principal asset numbers. The restoration of the Lowland Canals in Scotland and the Huddersfield Narrow Canal in England, for example, were largely already included within our asset register before restoration because we already owned and managed them albeit in a non navigable state. Some new assets were added where new structures or new lengths of canal were built, but most existing assets were improved or brought back into active use. The number of new assets added in these type of restorations, all in condition A or B, was 44.

Some restorations did add additional assets some of which were in condition D or E. The Rochdale Canal is the major example. The total number of principal assets added was 216 of which 48 are in condition D or E, and 19 are currently ungraded.

BW has not yet fully assessed the asset grades on the Stroudwater Canal which is subject to a current restoration project as the grades will change through restoration.

In total we estimate (assuming the 19 ungraded assets to be in categories D or E) that the restorations have added 68 assets in category D or E—approximately 0.6% of all principal assets.

14. How do you react to the Minister’s comments that British Waterways has not been “transparent about their own failure to properly assess the needs of the network”?

There has been no “failure to properly assess the needs of the network”. The answers to the question above and the documents supplied to the Committee and referred to support this.

15. What formal reporting system is in place between the Department and British Waterways? What is reported as part of this system, and how often? What discussions regularly take place as a result?

A new formal reporting system was put in place this year under a revised Financial Memorandum. Annex C&D of the Financial Memorandum is attached that sets out what reports are made and when. Prior to this arrangement, the following arrangements were in place:

— Quarterly Meetings between Chairman, Chief Executive and Finance Director of BW with Defra and Shareholder Executive—reporting on latest P&L position against plan, network condition and current issues.
— Half yearly Estates Liaison Meetings between BW (Commercial Director), Defra, Shareholder Executive and DCLG—comprehensive update on property activities including full financial reporting against plan.
— Submission of three yearly Corporate Plan after Board approval in March each year.
— On average two meetings per annum with Minister to report on end of year achievement and future plans.
— On average a diaried phone conversation between BW Chief Executive and Defra once per week to cover any current issues or information requirements.

16. 

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<td>(1,337)</td>
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<tr>
<td>CBT—Revenue after Contingency</td>
<td>3,890</td>
<td>(390)</td>
<td>(2,085)</td>
<td>(3,006)</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>CBT—Revenue after Contingency Check</td>
<td>3,890</td>
<td>(390)</td>
<td>(2,085)</td>
<td>(3,006)</td>
<td>—</td>
<td>—</td>
</tr>
</tbody>
</table>

Please explain the significance of the above figures in the table.

The figures in the above table were workings originally included by the creator of the spreadsheet to ensure that the figures provided to the Committee balanced correctly by reference to our management accounts. The figures in the table provided to the Minister show the net operating profit before interest. The figures above provide a link to the figures in the management accounts and business plan as shown in the table below. They were “workings” rather than part of the final information. If you have further questions please let us know.
### Table

<table>
<thead>
<tr>
<th></th>
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<th></th>
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<th></th>
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</thead>
<tbody>
<tr>
<td>CBIT before contigency</td>
<td>4,942</td>
<td>1,947</td>
<td>3,022</td>
<td>1,992</td>
<td>5,967</td>
<td>5,826</td>
</tr>
<tr>
<td>Contingency in F10 forecast and Business Plan</td>
<td>(1,000)</td>
<td>(3,000)</td>
<td>(3,000)</td>
<td>(3,759)</td>
<td>(3,639)</td>
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<tr>
<td>Actual CBIT shown in the Minister’s table</td>
<td>4,942</td>
<td>947</td>
<td>22</td>
<td>(1,008)</td>
<td>2,208</td>
<td>2,187</td>
</tr>
<tr>
<td>Net interest payable</td>
<td>(1,052)</td>
<td>(1,337)</td>
<td>(2,107)</td>
<td>(1,998)</td>
<td>(2,208)</td>
<td>(2,187)</td>
</tr>
<tr>
<td>Profit before tax</td>
<td>3,890</td>
<td>(390)</td>
<td>(2,085)</td>
<td>(3,006)</td>
<td>0</td>
<td>0</td>
</tr>
</tbody>
</table>

### Notes

CBIT means Contribution before tax and interest
Contingencies are included in Forecasts and Business Plans to allow for forecasting errors and unknown events.

### Supplementary Point

The Department provided a supplementary memorandum to the Committee at its session on 23 April. It was produced without checking with BW. Unfortunately, it therefore contains the erroneous assertion that BW (along with IWA) held a meeting with Ed Balls to discuss greater commercial freedoms for BW on 3 November 2006. The memo implies that BW took this action “behind the Department’s back.”

The Chair of IWA did indeed have a chance to discuss his organisation’s view on future funding, including greater commercial freedom, when he sat next to Ed Balls at a strategy launch by the Barnsley, Dearne and Dove Canal Society on 3 November 2006. However, although local BW junior staff were also at the event, they were not party to the IWA discussion with Ed Balls and the event was not a meeting to discuss BW. The IWA Chair is prepared to confirm this if the Committee so requires.

### British Waterways

May 2007

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### Annex C

#### Timetable for Shareholder Interaction and Information Exchange

1. The timetable below has been agreed for the sharing of information between BW and Defra. The timetable and its content may be varied in the light of experience. Where shareholder meetings are held in any month in which there is a Board meeting, the shareholder meeting shall follow the Board meeting. In general terms there are a number of issues which lend themselves to annual reporting, and feed into an annual cycle of discussions on planning (including future expenditure on assets) such as:

   - Long-term income profile, showing in particular any changes in assumptions on venture income, but also including other issues, such as fees and charges.
   - Evolution of network asset “health”—to date and projected over the current Comprehensive Spending Review period, eg movement of the proportion of assets in each condition category.
   - The deliverables by which Government’s requirements for the canal network are to be delivered ie network reports.
   - Benchmarking reports (ad hoc or regular) on an agreed basis.

#### Timetable

<table>
<thead>
<tr>
<th>Timeframe</th>
<th>Activity Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Third week of every month</td>
<td>Application for grant in aid for following month (from FD/other authorised person)</td>
</tr>
<tr>
<td>(QSM months in <strong>Bold</strong>)</td>
<td>Monthly flow of funds statement April</td>
</tr>
<tr>
<td></td>
<td>Quarterly Business Performance report*</td>
</tr>
<tr>
<td></td>
<td><strong>Quarterly shareholder meeting including P10 results and F10 full year forecast.</strong></td>
</tr>
<tr>
<td></td>
<td>Final Business/Corporate Plan,</td>
</tr>
<tr>
<td></td>
<td>Annual report on network “health” and grant use</td>
</tr>
<tr>
<td></td>
<td>Annual return on de minimis disposals and those not subject to open market</td>
</tr>
<tr>
<td></td>
<td>competition (Annex E, paragraph 6)</td>
</tr>
<tr>
<td></td>
<td>Annual report on customer satisfaction and visitor numbers</td>
</tr>
</tbody>
</table>
June

- Final outturn figures for preceding financial year
- Draft Annual Report and Accounts (as approved by Board—paragraph 5.4)
- Annual report on fraud and theft (paragraph 6.5)
- Report on contingent liabilities (paragraph 4.10)

July

- Annual report on compensation payments and losses (paragraph 6.4 and Annex D)
- Publication copy of Annual Report and Accounts (paragraph 5.4)
- List of all projects over £500,000 let between January and June (Annex F, paragraph 11)
- Quarterly Business Performance report
- Quarterly Shareholder Meeting including P3/F3 results
- Annual in-depth property review

31 August

- Quarterly financial statement
- Annual report and accounts of the BW pension fund and BWPF Trustees Ltd. (paragraph 6.3)

November

- Quarterly Business Performance report
- BW submit Directors’ priorities for next three year BW Business Plan/Corporate Plan and target figures for the next three years showing how plan to live within target
- Quarterly Shareholder Meeting including Annual discussion on Long Term Strategy, P6 (half-year) results and F6 full year forecast

January

- Quarterly Business Performance report
- Quarterly shareholder meeting including Business Plan progress and issues, P9 results and F9 full year forecast,
- Annual Venture Business Plans report,
- Priorities for Business Plan/Corporate Plan inclusive of high level figures before finalised,
- List of all projects over £500,000 let between July and December (Annex E, paragraph 11)

second week in February

- Application for Treasury guarantee of temporary borrowing (paragraph 4.14)

March

- Business/Corporate Plan as approved by the Board.

Next triennial return on Insurance (paragraph 6.2) due in 2007.
Next triennial valuation of BW’s Pension Fund (paragraph 6.3) due in 2007.

* See Annex D re the content of the Quarterly Business Performance Report.

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**Annex D**

**QUARTERLY BUSINESS PERFORMANCE REPORT**

1. The performance report to Defra should reflect that to the BW Board whilst recognising that there may be differences in the level of detail and overall emphasis/balance of the content. The key areas to be covered are as follows:

<table>
<thead>
<tr>
<th>Area</th>
<th>Content</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial</td>
<td>CBIT for individual business areas*; cash flow, balance sheet performance data*</td>
</tr>
<tr>
<td>Commercial Property</td>
<td>Portfolio return by investment/ventures* appropriately segmented, including capital, income and returns, transfers in and out of the portfolios, and cost of capital against appropriate benchmarks.</td>
</tr>
<tr>
<td>Leisure</td>
<td>BW income/(costs)*</td>
</tr>
<tr>
<td>Joint Ventures</td>
<td>BW income/(costs)*</td>
</tr>
<tr>
<td>Defra authorised Projects</td>
<td>Costs/income (net/gross/forecast/outturn); borrowing/gearing; IRR (including any adjustments); milestones.</td>
</tr>
<tr>
<td>Core Waterways costs</td>
<td>Operating breakdown; regional breakdown; efficiency measure (with effect from October 2007)</td>
</tr>
<tr>
<td>Restoration</td>
<td>Income/Contribution; commentary</td>
</tr>
<tr>
<td>Costs</td>
<td>Central overheads; regional costs (ytd; full year)</td>
</tr>
<tr>
<td>People</td>
<td>Headcount (current, previous data, years 2 &amp; 3 of plan)</td>
</tr>
<tr>
<td>Risk</td>
<td>a copy of the dartboard and risk register which goes to the Board; including any report on portfolio risk</td>
</tr>
</tbody>
</table>

2 This in addition to the regular property reporting piece in the Quarterly Pack.
Welcome to this afternoon’s session of the Efra Select Committee investigation into BW. It seems like old times. We are grateful that you have come back to give us evidence for the second time, but it was obviously an interesting session with the Minister and it was only appropriate that you did come back again. Can I ask you some very simple questions to start with that I think are at the core of all this, Robin, it would probably be best if you take the lead on this, although I am sure Tony and Jim will jump in. Can you, for the benefit, if nothing else, of the public record, explain to us exactly what you mean by “steady state”? [Mr Evans: Certainly. Chairman, and, if I may, I may use an analogy which I hope is helpful. First of all, I will explain all the words. We have 11,000 odd principal assets, and those are engineering structures and structures which are essential for the proper functioning of the waterway, like aqueducts, large bridges and lock structures. We also have about 12,000 non principal assets, and those are smaller structures, like bridges, small pedestrian bridges, information signs, tow paths, which are not essential for the working of the waterways but certainly make it a more pleasurable, enjoyable and worthwhile experience. If I can use the analogy of a house, if you have a rather old house which is in very poor condition, you may, first of all, look to repair the house by making sure it is wind and water tight. So, the first thing you do is repair the roof, repair the walls and make sure the windows are not rotten and do not let in water—that really is our principal assets. The first thing we do is try and make sure that for the principal assets the structure of the house is in good order. Inside the house are the non principal assets. They are not essential, because you can still live in the house, but it certainly makes it worthwhile if the water runs and there is heating and the floorboards are secure. So, when we come to what we used to do and how we used to look at the state of the network, the first thing back in the early 1990s we said was: what is the state of the principal assets? What is this wind and watertight bit, the essential structures to keep the waterways going? That is when we articulated the £300 million of arrears that we had, and that was arrears in the principal assets. We have now got that down to around about 100 million. We have spent 200 million. So the network is in substantially better order than it was, and what we have done is say, is it not time to reappraise where we spend our money now? We could carry on spending it on the outside, on the principal assets, but actually we have stopped the roof leaking, we have repaired the cracks in the walls. Yes, there are still some windows that are rotten, yes, there are some tiles that could be replaced, but essentially we have improved it, so is it not now time to balance the money we spend and not just carry on spending on the outside and do the principal assets only, should we not spend some money on the inside on the non principal assets to try and ease the spread and improve the network generally? That is what we are doing by not being so aggressive and solely concentrating on the principal assets but spreading it between principal and non principal. So, that is the principal and non principal assets. “Steady state” comes in when we say: we want to know what it really costs to run the network when we have done all the arrears, when we have got the non principal assets and the principal assets in good condition. When we achieve that level, what will it cost to run the network? That is assuming that we have a planned maintenance programme to keep it all in good order so it never again gets into the condition where we have an arrears build-up. What we are trying to do is say: let us repair our principal assets and our non principal assets in a sensible order, making judgments all the time about where we get best value for money, and “steady state” is when all of those are in good condition and “steady state” is the money we need when they are in good condition to keep them in good condition. At the moment we reckon that to be about 124 million.]

Mr Evans: Good. We have a very good relationship with the civil servants. They are very understanding.

Chairman: That is a very helpful explanation. I shall come back to that in a minute. Obviously, you are back again because of what the Minister said last time. How would you describe your relationship with Defra currently?

Mr Evans: Good. We have a very good relationship with the civil servants. They are very understanding.

Chairman: What about the Minister? He was not very complimentary about BW?

Mr Evans: The Minister has lots of things to do and when I see him he is always approachable.
Q481 Chairman: You must have been taken aback, when you came back from holiday, to have put in front of you a transcript of what he had to say. He basically fired so many brick bats at you we could not cope. We were trying to catch them and it was just impossible.

Mr Evans: When I came back I was very disappointed to read the clear lack of understanding of what we had done, what we were doing.

Q482 Chairman: Whose fault is that?

Mr Evans: I was taught very early that communication is about transmitting and receiving and you have got to be responsible for both. I reckon I have been transmitting; there has not been the right level of receiving; and, if I have got to do better at that, I hold my hand up, I have got to do better at that.

Q483 Chairman: But you said to us that you talked pretty much daily with civil servants. There must be some problems with the old radar if your daily conversations have not actually managed to transpose some of the problems that the Minister then points back in your direction—a quite intriguing select committee hearing?

Mr Evans: I am pretty confident that the civil servants that I was dealing with had a very good grasp of what we were doing, where we were spending our money, how our money was allocated and where our priorities were. I think there has been an issue where there has been quite a change within Defra, and most of the people (and I have already said this) that we were dealing with throughout the last six months have now moved on and that information and that knowledge probably may have gone with them.

Q484 Chairman: If we can go back to the issue of what is at the core of this disagreement, which, hopefully, we can at least understand from the perspective of BW, we found it very difficult to understand the why the Minister in his evidence seemed to think that you were not transparent in the way in which you changed your analysis of the arrears situation. I do not know, and we will go on to this in terms of Peter Soulsby asking you exactly a quite intriguing select committee hearing?

Mr Evans: I am pretty confident that the civil servants that I was dealing with had a very good grasp of what we were doing, where we were spending our money, how our money was allocated and where our priorities were. I think there has been an issue where there has been quite a change within Defra, and most of the people (and I have already said this) that we were dealing with throughout the last six months have now moved on and that information and that knowledge probably may have gone with them.

Q485 Chairman: Can I be absolutely clear in my own mind. There is obviously a feature here of the impact of the cuts of grant-in-aid. Firstly, did those cuts have a direct impact on the arrears situation or was the arrears situation outwith that? They would have had to have been re-examined and reprogrammed in terms of this later date when you would have fully reached steady state, or did those grant cuts have a quite significant influence and, when you re-did the numbers, it became clear to you that they were going to have a greater impact than you first saw?

Mr Evans: We have always been very clear on this. We have always been very clear on this. We have always been very clear on this. We have always been very clear on this.

Q486 Chairman: Why did you then talk to us in terms of self-sufficiency? Self-sufficiency may be some dream, some futuristic wonderment that you can talk about, but that was quite an important piece
in your evidence. I accept that you never date-lined that, but we had the impression that the grant aid was going to be less important, that this was something that could, over time, run back, but you are now going back and saying, “CSR is absolutely crucial. We need some grant money. We need it now, because otherwise the arrears situation will be as bad as we now portray it to be and could be even worse”?

Mr Evans: We have always said “largely self-sufficient”, never self-sufficiency. We have never accepted, never believed, we could be self-sufficient; we have always said largely self-sufficient. What we have said, and what I passionately believe, is that as a public corporation we have a duty to maximise the income we can get from our assets, and I was trying to galvanise British Waterways and all the people in British Waterways to say we cannot rely on government for hand-outs every time we need more money, we have got to be more self-sufficient, less dependent on the state. So, my vision is for us to become largely self-sufficient, more self-sufficient, and we must drive that. We have been incredibly successful. In the last five years we have almost doubled our earned income without that drive for self-sufficiency, without that need, because if I said, “It does not matter, we do not have to earn money because the Government will always come up with the pay in the end”, that would be disastrous. Self-sufficiency is the drive within the organisation to realise that being more self-determined is a real asset and benefit for us.

Q487 David Taylor: How do you assess your degree of self-sufficiency in this year, 2007–08? What figure would you put on that? You are aiming for more self-sufficiency. What would you put on that and what would you hope for ideally in ten years’ time?

Mr Evans: I think in about 2002, about 60% of our income came from government and 40 per cent came from earned income.

Q488 David Taylor: This year?

Mr Evans: This year, I think probably 55% is earned (ours) and government grants down to 45% and, depending on the settlement we get, but if it is the much talked about RPI minus five, by 2011 government grant will be about 35% and we will be earning the rest, 65%. So it is quite a transformation from 2002 to 2011 on current assumptions.

Q489 David Taylor: So two-thirds meet your definition and hope and expectation of “largely self-sufficient”?

Mr Evans: I do not think it meets my expectation.

Q490 David Taylor: It is in that area?

Mr Evans: I think my expectation is to carry on and reduce as far as we can, but the condition of the network is paramount. All those predictions and statements were made at a time when our grant was above 60 million and all the talk from ministers and government was that we were very successful and they wanted to continue supporting us. So they were never made in a climate where our grant took a sudden nose-dive one year and kept at that level and went down. We were always talking about a glide path from which we would gradually reduce our income down and down as we earned ourselves more income.

David Taylor: Thank you.

Q491 Chairman: To conclude from me before Peter takes over, are you clear where the Minister’s confusion comes from?

Mr Evans: No, I do not know where the Minister’s confusion comes from.

Q492 David Lepper: On that point, from what you were saying a little earlier, am I right that you are telling us that British Waterways communicated very clearly to the officials of the Department the processes of its thinking in relation to its principal assets, its other assets, the notion of a steady state but it seems as though the officials did not communicate that information on to the Minister sufficiently clearly? That was the impression I had from what you said earlier?

Mr Evans: All I can say is the first part of your assumption is absolutely correct. We explained in detail, and answers to question ten of the Committee’s question sets it out, that we began that process last year, there was a very detailed letter in December going to the Department which sets it all out, and so I certainly communicated to the Department. I have no assumptions at all as to what happened thereon within the Department and between the Department and the Minister.

Q493 David Lepper: You said whenever you have met the Minister he has been perfectly approachable, in answering the question about your relationship with the Minister. Over that period of time that you have just described to us, how frequently did you or other senior officials of British Waterways meet the Minister—I do not mean at social functions or whatever but at official meetings about the business of British Waterways—rather than meet with officials of his Department?

Mr Hales: We have had two office meetings prior to the previous week, and we have had a couple of meetings outside the office.

Q494 David Lepper: That is over a time span of about six months?

Mr Hales: Yes.

Mr Evans: Since the Minister was appointed.

Q495 Mr Jack: Gentlemen, you have been musing over Mr Gardiner’s difficulties and you express uncertainty as to how he has not been able, in spite of copious communications with his Department, to form a clear view about some of the concepts that he put in front of the Committee. Let me get back to what the Minister said to us by way of evidence. He said, “I have been asking for many months for the projections of steady state and looking back to the ten-year programme for 2002 with a plan for the future, and on Friday evening, in my office, I eventually got a complete breakdown of that from
Mr Hales: You have maintained a close level of liaison with the Minister’s officials. We have been given letters and information, for example to see how you responded to Sabine Mosner’s request. The letter starts off, “You asked me to pull together a number of statements and email exchanges that we have had over the past few months.”1 If a minister starts jumping up and down, for whatever reason, with his civil servants, the civil servants’ job is to interpret those questions to the people who can give the answers, and that is you. Let us wind the clock back. When did you first find out that the Minister was agitated and asking these questions?

Mr Evans: Can I wind it a little bit further back. We met the Minister in November and he said he wanted figures that looked forward, not just for the CSR period.

Q496 Mr Jack: Can you refresh my memory. When in this saga had the Minister’s Department announced the in-year cut? When was that made public?

Mr Evans: The in-year cut in 2005–06 was made public in about June, July.

Mr Hales: When you were on holiday.

Mr Evans: When I was on holiday.

Q497 Mr Jack: June, July 2006. Just before you answer that question, when the Department was deciding internally how much that cut was going to be, was there any discussion between officials and your good selves about what the number might be that you could live with?

Mr Evans: I do not recall that. I think it was much more that the Department was finding some serious financial difficulties. There were options of cuts across the board, or cuts more in one place and less in others, but our civil servants seemed to have—

Q498 Mr Jack: There must have been something that guided the Department in deciding that the number they chose, some three odd million pounds, was a number you could cope with?

Mr Hales: Yes. We were asked what we would do with that cut, which was, therefore, going to be a cut on the significant repairs.

Q499 Mr Jack: When that conversation took place, were you probed about any of the definitions which hitherto had underpinned the basis of the financial information which Defra had about British Waterways, the future maintenance plans, where you were going? Was that part of those exchanges?

Mr Hales: No, those literally took place over about three or four days between what is the implication of the cut, and then it was clear what they were going to be.

Q500 Mr Jack: So it was not a definitional discussion, it was about numbers?

Mr Hales: Yes, and we also did make it quite clear, as Robin has said, that a one-year cut, we do not like it, but we will get on and manage within that.

Q501 Mr Jack: So, in the middle of last year you roughly came to an accommodation; they understood what the number was going to be and what the implications were. Right. Mr Evans, take us forward about what happened thereafter?

Mr Evans: In November when we met the Minister we were talking about the future. Of course, we knew there was the Spending Review 2007 coming up and we were talking about what the future was likely to be, because at that stage we were still hoping the grant cuts would be restored. It was a one-year cut, and the Minister wanted sight of figures going beyond the SR 2007 period. He wanted to see them going up for another 10 years. In my letter to Sabine Mosner, which you have, those projections got to 2016–17, so we provided those. You asked when the Minister became agitated. My understanding is that there was a meeting between civil servants and the Minister some time in February when they were discussing possible future funding for BW, and the Minister then asked for some further analysis of income and expenditure. Just as you say, I heard this but I asked for that to be put in writing so I knew exactly what was being asked of us, and I think in our evidence that came from Martin Hurst, a senior civil servant to the Chairman, in March and we responded to that in April—so a direct request. Then there was a second time when on, I think, 20 April the Minister asked for some very specific analysis matching the 2002 plan for the future with our current projections, and that we answered within six days, I think.

Q502 Mr Jack: The impression I am gaining is that you provided the answers to the questions you were asked and you were not getting any feedback from the civil servants you dealt with that there were definitional problems from the ministerial perspective in terms of understanding what the information was that you were supplying?

Mr Evans: That is correct.

Q503 Mr Jack: Can you explain why the Minister seemed still to be unclear when he came before us? If there was that degree of clarity by the time you had replied, particularly with your six-day letter in March, why the Minister should come before this Committee giving the impression that there had been barriers placed in the way of him finding out new, and hitherto unrevealed, information about the state of your finances?

Mr Evans: The only explanation I can give is what I have given previously. Certainly Sabine Mosner, who was the person I dealt with primarily, I think had an excellent grasp of what the issues were and she, unfortunately, or whatever, has moved jobs and been taken away, and her immediate line manager has also changed jobs, so I think the Minister was probably struggling to find someone to interpret the wealth of information that we had given within the Department. I cannot say that; that is my assumption.

Q504 Mr Jack: You have said it now. You cannot withdraw the fact.

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1 Q 429
2 Ev 220
Mr Evans: I am not withdrawing it; I cannot say that for certain because I obviously was not there.

Q505 David Lepper: When did that change of personnel happen?

Mr Evans: Goodness. March, I think, mid March, early March.

Q506 David Lepper: Thank you.

Mr Evans: I would certainly be able to give you those dates.3

Mr Hales: I think one of the key documents was the one on December 22, which set out in considerable detail in the annexes the implications of different levels of funding and, indeed, referred to the principal assets, the steady state and so forth.4 I think one would recognise, if you come at these things very quickly from a first pass, they are quite difficult to get hold of, but there are many points in that document.

Q507 Mr Jack: One last question that intrigues me is that the Minister gave the impression when he put the numbers before us that suddenly additional income had been discovered. Do you think that that was a proper representation of the facts, bearing in mind, as you have subsequently reminded this Committee, any additional income in any one year has to be spent in order that your books be balanced?

Mr Evans: Can I correct the last thing. I think we have probably got two, maybe at a stretch three years to balance the books; it does not actually have to be done in each year. I do not think that is a fair representation of the information. Certainly from the period 2002 to 2006–07 we had ended up with more income than we had planned to have in 2002, and we had spent that money in the full knowledge, full understanding and full approval of the Department. If they had instructed us to spend it differently, we would have spent it differently. So, we shared our corporate plans, we shared our annual budgets with them and they were entirely happy. What is spent is spent, is gone and everyone was happy. In fact, we were praised and everyone seemed more than happy, up until now, about where our expenditure was. Going forward, we have very considerably less money than we had planned to have in 2002, and that is despite very considerable increases in our commercial income. The reduction, or the potential reduction in grant (because we have still not had our CSR settlement) is considerably more than the increase in income, but that is money that we have now got to decide how not to spend. So, I think you could put the two together and say there is more money overall, but that is not a fair analysis because half of the period the money is spent, it has gone. We are talking about the future from now on, where we have considerably less.

Q508 Chairman: Before I call in Peter, can we be absolutely clear. Do you think that the Minister is still under the apprehension that you have had more money than he thought you had had and that is the basis of this current disagreement, friendly as it may be?

Mr Hales: We actually agree on the facts. The facts of the money are the same; there is an interpretation issue. The Minister has particularly pointed out that over the period 2002 to 2012 there is, in total, more income has gone into the waterways and that has come from two sources: one is from the extra commercial income and the other is from 8.9 million of extra grant income, which is entirely from the Scottish Executive and it has entirely got to be spent in Scotland to meet very specific projects that they set in those years. The interpretation then is about whether you look at the period from 2002 to 2012 as a whole or whether you divide it into two parts. What Robin has set out is the importance of dividing it into two parts. What has been spent cannot be unspent, it has been spent with the agreement of the Department, and then there is the future, where there is a 40 million gap on the previous assumptions.

Q509 Sir Peter Soulsby: We have not got it yet, but the Minister has promised to let us have a full trail of correspondence and notes, where they exist, of telephone conversations which should perhaps help us in judging what was asked and what was supplied and, indeed, when, but, looking back at his evidence to us, he repeatedly (and it obviously was not a slip of the tongue because he did say it several times) accused British Waterways of lacking transparency in dealing with the Department. When we do get that correspondence are we going to find that you were not transparent with them or are we going to find something very different?

Mr Evans: I would hope that the evidence that we have already submitted to the Committee in reply to your last set of questions amply shows that we have been very transparent with our figures for a considerable period of time. We have been talking with the Department and we mention here correspondence, and I think correspondence has been given to the Committee showing that this is something that we talked about from June, July 2006; so I am very confident that the Committee will see that we have been transparent throughout.

Q510 Sir Peter Soulsby: What about his evidence where he said that he had to apply “greater and greater stridency” in his approach. Is that what we are going to find when we look at the correspondence?

Mr Evans: Certainly not with British Waterways, and not in correspondence to us.

Q511 Sir Peter Soulsby: Can I clarify the numbers of meetings you have had with the Minister, because obviously, if he had become as concerned as he has suggested, he might have met with you on occasions.
You said you met in November and, prior to that—. He has been involved now for the best part of a year, has he not?

Mr Hales: July 19, and Robin met with the Minister on September 5 in Penkridge.

Q512 Chairman: Can we be clear. The original date that everyone seems agree on where information was requested was actually before this Minister was in post, if the date of June 2006 means anything, or does it mean nothing?

Mr Evans: June 2006 was when we first started to talk to the Department about the way we spend our arrears and the mix between principal assets and non principal assets.

Q513 Chairman: Who initiated that? Was that ministerial or was that—

Mr Evans: That was the debate and discussions and correspondence between myself and the Department officials.

Q514 Chairman: But the Minister, as an incoming member of the Government, would have been knowledgeable of that surely? It is fairly important stuff.

Mr Evans: I do not think that is, in my relationship with the Department, what happens within departments.

Q515 Sir Peter Soulsby: Can we pursue the relationship with officials. You mentioned a particular official. Can I get it clear, that was your main point of contact with the Department, and can you clarify at what level in the Department that person was?

Mr Hales: Grade five. May I make a comment on the transparency? I think the British Waterways Board would strongly insist that we have acted in good faith. I think if there is any lack of transparency it is because some of the concepts are complex and need detailed investigation and time spent on them.

Q516 David Taylor: I think this steady state is some sort of Shangri La that is never going to be achieved. Nevertheless, going back five years, in 2002 (and I know we have talked around this and I am trying to clarify something in my mind), you set a target date of ten years beyond that for the arrears on principal assets to have been cleared. That is correct, is it not? Why did you not include the 11,000 non principal assets in the forward plan from that 2002 starting point.

Mr Evans: I think that is a fair question. The Chairman asked me: “Where did it all go wrong?” I said, looking back, I think our absolute concentration on the principal assets, and that was still a huge task ahead of us at the time. I cannot remember what the figure was in 2002 and what we got it down to—probably 200 million or something—so it was still a massive task ahead of us.

Q517 David Taylor: No-one denies the huge progress that has been made.

Mr Evans: I am not talking about the progress. I am saying I think our concentration was saying, “That is enough to concentrate on at the moment”—that is such a big task, to get £200 million invested into the network. What goes beyond that, what happens next is some time in the future, our concentration is on that 200 million, and I think it is a very fair question to say, if we had started talking in 2002, the understanding would have been much better. However, I have to say that it is always easy to look back. If you had begun to say there is 200 million, and then there is probably another, whatever, and then there is probably another, I think people would begin to worry whether there would ever be a viable network.

Q518 David Taylor: The point I am going to make may spring from the fact that the parallel you drew with the structure of a house and its decoration and so on, principal or non principal, is not a perfect one, but if I can continue with that analogy, would you not accept that if you neglect non principal assets within the house—the floor boards, decoration and other aspects—at some point those things, which are aesthetic and comfort and convenience driven, become structural and safety issues? Is that not also true of non principal asset work within the British Waterways network: some things which may be marginal at the moment in terms of core responsibilities can, if neglected for a long period, become part of the problem?

Mr Hales: I think your point is entirely correct. Ideally, one would have had that information and it would have been in the public realm and in front of the Department in 2002. It was not because life moves on and we are getting better all the time. I think one of the other reasons would be that we have very much better information systems in 2007, with better computer systems and a more structured organisation which is feeding information to the centre, than we had in 2002. So it was the best figures put up in 2002, but they were not as good as they would be now or perhaps could have been then.

Q519 David Taylor: Can I paraphrase your answer to check that it is an accurate paraphrase. Five years ago you were aware of the issues connected with arrears of maintenance on non-principal assets, but you thought you had more than enough on to obtain the resources to tackle the core concerns which you and the public had; the assets would have to be left in the state that they were at that time without any significant work happening to them. Is that roughly right?

Mr Evans: That is fair. I became Chief Executive in December 2002, so effectively 2003, and one of the first things I said to our engineering department was: “I must understand the condition of the non principal assets. There is a vast amount of work on the principal assets. We must begin to understand inside the house.” Jim was appointed some 18 months later, and the first task I gave Jim was to be very clear about getting the non principal assets understood and scheduled so we knew exactly. I was in the privileged position of being able to do that
because so much work had been done on the principal assets to make me comfortable that the network was not going to fall down, the network was operational, and we could afford to divert some of our engineering thinking time, some of our engineering inspection time to those other assets. Before that it was all hands to the pump to tackle the vast backlog of arrears on principal assets.

Q520 David Taylor: We have got these 11,000 extra non principal extra assets. What is your new target date for those arrears having been cleared as we sit here?

Mr Evans: Our judgment at the moment is that we could live with 15% of principal assets being in condition D and E forever. We think that that is an acceptable condition. It is not ideal, but given that we have got less resources and all the other demands on our resources, 15% D and E is liveable with and we think we will hit that, on current grant assumptions (and I still do not know what grant we will get this CSR period) of RPI minus five, in 2016–17.

Q521 David Taylor: That is principal assets?

Mr Evans: Principal assets.

Q522 David Taylor: Non principal assets is the question?

Mr Evans: I am sorry. We have not graded all the non principal assets yet. That is work still under way to grade them and have the same grading structure as we have with our principal assets. It is a massive task to do that and it is not something that we can quickly do.

Q523 David Taylor: So the four-year delay from 2012 to 2016 is at least partly attributable to the grant reduction. What proportion of that four-year delay, approximately, would you say it would lead to? I am now back to the principal assets.

Mr Evans: The change from ten per cent D and E assets in 2012 to 15% D and E assets in 2016–17 is partly due to our decision and advice that we should spread some money into non principal assets, but the target date of 2016–17 is dependent on what grant we get in the CSR settlement, and if the grant cuts of 2005–06 are not restored and, indeed, we get a further grant cuts of RPI minus five, then—

Q524 David Taylor: That 2016 will float off even further?

Mr Evans: No, we think 2016 is what we will get.

Q525 David Taylor: On RPI minus five?

Mr Evans: On RPI minus five.

Q526 David Taylor: How much work was done on actually designing this very simplistic model of (a) principal and non-principal assets and (b) the allocation of necessary work to one or other or those two categories? It seems to me simplistic and I would have thought, in the world out there with the network that you have, that the projects that are crying out to be done do not just nicely and neatly just lend themselves to either (a) or (b), it is a more complicated world than that. To me it is deceptively simple and, therefore, I am concerned by that.

Mr Stirling: It is worth reminding ourselves how our asset management process has developed from when we really got started with it in seriousness in about the 1990s. Our current approach to asset management started in about 1996, or thereabouts, and at that time we had a monumental problem with principal assets and that was the focus. We had a safety issue in 1996, which we have dealt with. As we were dealing with that we were also learning, improving and growing our asset management approach. That has progressed into what we now are calling the “steady state model”. The steady state model brings us a number of advantages from the point of view of managing and budget allocation, as well as a headline figure, because what steady state has allowed us to do by developing that model is look at everything: look at hard assets, look at issues of service and look at issues that we call agriculture, such as trees, hedges, grass cutting and such like. All of that is encapsulated in the new model. That model was developed from about 2004 onwards because we felt the pressure reducing. We had removed what we were calling the safety backlog, basically a sigh of relief, and that we could now start to broaden our horizons on other things, and this development of steady state allows us to see a much wider picture. Just as you have said, everything is important—tow paths are important for all our visitors, the waterway walls are important because its affects the channel depth and such like. We are now able to see all of that in one big picture.

Q527 David Taylor: That is fine. One final observation: do you in your planning build in assumptions about the responsibility which you will be taking on for the predicted expansions to the network—re-watering of the Ashby Canal in my own constituency, for instance, or parts of it? Do you build those in?

Mr Stirling: Yes.

Q528 David Taylor: Do you make some assumptions about whether or not those expansions will occur, or not?

Mr Stirling: In technical terms, the model uses the functional location that we give everything that we own, and as long as we apply—

Q529 David Taylor: And might own?

Mr Stirling: And might own. As long as we apply functional locations, which we have done in the canals that have been restored or built since 2002, they become automatically part of the waterway.5

5 Note by witness: Looking at Questions 528 and 529 which deal with when new assets/canals are incorporated into Steady State, I am not sure the answer I gave is clear. Steady State can be used to predict the ongoing costs of any restoration or new canal. We therefore use the Steady State approach to help us in our own decision making with regard to potential future liabilities—i.e. we know both the capital and the revenue costs. The ongoing revenue costs are only built in to our steady state management model once the main project is well underway. (Information supplied by Jim Stirling, Technical Director)
Q530 Chairman: Moving on from David Taylor’s question, can I ask you a multiple choice question in this inquiry: (a) we make our money out of the core network, particularly now out of developing property opportunities; (b) we actually can make money out of an extended network but that extended network is only valuable to us if the property portfolio is really something that is going to bring in additional money; (c) we are prepared to take on an extended network but we will only take that extended network on if there is an understanding from government that somebody has to give us some additional resources, particularly to run that extended network; (d) none of the above, but we could be persuaded to take on additional parts of the extended network on an ad hoc basis. You may say all of the above, none of the above, but which of those actually do you feel most confidently describes what BW is about?

Mr Evans: The Chairman says, “The last one.” I would answer it, unfortunately, in a different way. We are keen to expand the network but we will only expand the network if it does not drain our resources from the money we have to spend on the existing network and that we can see both the capital cost of restoration and the future maintenance costs thereafter. So, we look to others to find the funding, create the funding to restore waterways and then we hope that that restored waterway, if we model it and if we calculate it, will generate income to cover its expenditure by increased boats on it which will produce for us licence fees, the option to create marinas and moorings alongside, which will introduce income. Very rarely will any property come with a restoration for us to make money out of it for long-term income. It may come with some property that we can sell to help fund the restoration. So, we are keen for restoration, but at the same time, we will not willingly, and we do not plan, to contribute to the cost of that restoration from our own funds because that is just spreading our already thin resources even more thinly.

Mr Hales: Can we take an example, like perhaps the Olympics one which I think you are all familiar with. We have to put in a million, a million and a half of our money.Ideally we would not be putting in any money at all, but I have to say that the whole of the British Waterways Board thought that this would be just the most ridiculous decision for UK Plc if the benefits to the community did not go ahead because we could not try and find the one and a half million. Most of the money for the building of it has come from the Olympic Development Authority, from Transport for London, from DTR. We do not have any serious land around there on which we have opportunities for property development, which would have been the best source of plugging the gap; we will get a very, very small income out of the freight, which is of huge benefit to the East London community that is going off the roads and going up the canals; so we had to take, if you like, what we felt was a balanced judgment. Had the decision been six million pounds, we would have probably said British Waterways could not afford to go ahead with that scheme, and I think many of the schemes we come to we either get to exactly a balanced amount or we end up having to tip in a very small amount, and there is going to be an on-cost, albeit marginal, to the waterways for each extra kilometre that it is expanded.

Q531 Chairman: To what extent would ministerial comment on this balance between extension of the network as against concentrating on arrears backlog play a part? If the Minister came to you and said, “I really think this is a good scheme, it needs to be reopened, it would do a lot of good in that area. I know you have not got the money. We will find some money through various different channels, but I want you to get on with that”, does that play a part, or do you take these decisions objectively and you would always look at, “Should we do this and reopen it”, as against, “Let us put that money into backlog”?

Mr Hales: Our priority is to maintain and recover the existing waterway network, but we also have within our mission to expand the network, and that mission has been agreed with the Department, it is out there in the public domain. The Board takes a judgment on these things and it is broadly on the basis of: we will put a very small amount of pump priming in, but we do not have the funds to divert substantially. Equally, we will keep the Department informed of any serious . . . Obviously the Cotswolds one is one that we are all very, very sensitive on and is still being worked on by colleagues because there is a significant gap. The Department has been well aware that there has been a significant gap since last year, and we are still trying to find a way of filling that gap because British Waterways—

Q532 Chairman: If I was to say to you, Tony (and this is purely hypothetical but I think it is germane), if the other partners were not aware of that gap, whose fault is that?

Mr Hales: If they were not aware of that gap?

Q533 Chairman: Yes.

Mr Stirling: I think we have all been working towards trying to find the best solution down there. The best engineering solution has now shown up that there is potentially an £11 million gap. That is the worst and that is too high for British Waterways to handle.

Q534 Chairman: Whose fault is that? The Department did not know. Should they have known?

Mr Evans: We are the lead partner and, therefore, if there is any lack of understanding, it clearly falls on us. What you have to accept when you are putting packages like this together is that you go along to the HLF and you put a proposal to them—bearing in mind this started as a 50 million pound scheme—and they said, “We cannot possibly afford to fund that. What can you do for a £25 million scheme of which we will give about 11 million?” So we re-engineer it, we spread it down, we say, “This is what we think we could do for a £25 million scheme.” They say,
“Okay, we are in for 11 million.” You go along to the South West Development Agency: “We have now got this smaller scheme. We have got this gap. What do you think you can come up with?” “Okay, we think we can put six million in.” You go along to the county council, the district council, go along to the Waterways Trust. “How much money do you think you can raise?” All this takes time. No-one wants to fund it all, and then you get closer and closer to a funding package which then enables you to carry out serious design work, because you now think you have got something which is viable (you cannot spend money on something that no-one is going to want to spend, so you then get a funding package which is viable), you then send Jim and his team and others away saying, “We think we have got a £25 million scheme here. Go and work it out. Where are the pinch-points, what are the risks?” They come back and say, “We could do it for 25 million, but there is another 15–20 million risk because there could be more contamination, the EA may get a bit difficult about flood alleviation, you need planning permission and you need to get that within a year, it could take two years.” So you have this huge level of risk which says, “If everything went well, we could do it for this amount. If everything does not go well, it will take this amount.” We then make a judgment and say, “Well, we will win some, we will lose some”, and you gradually narrow down the risk and get to a point, and this is what has happened on the Cotswolds. It is not a simple thing. It is not like building a house: “Get me a quote. How much is it to build a house.” It is a very long process of matching the funding appetite of all these different partners with the actual costs and, as you develop the project, you understand more and you begin to understand all the issues more. That is what has happened with the Cotswolds, and it is not unusual. In the past we have sometimes gone ahead with projects, because of the pressures of funding, with people saying, “If you want our six million, you have got to start work tomorrow”, and the Boards have to make difficult judgments and say, “Right, we will start”, and then we have found out that actually the costs are much greater during the project, and there is no-one else to come up with the money, so we have to find the money; but we are determined that that is not going to happen in the future. We are not going to start something like the Cotswolds until—

Q535 Chairman: This is a change in approach. This is hard-bitten, finance driven, accountant-lead—I cannot think of any more metaphors—but this is a difference?

Mr Evans: When we were restoring waterways at the turn of the century with the millennium lottery, we added 200 miles to the network. Those cost us considerably more money than the funding that was originally allocated to them, and when I became chief executive I made it very clear that to ensure that we had sufficient resource going into the existing network, we would not take on restorations or new expansion of the network until we absolutely knew what our costs would be and we were certain of our contribution. As Tony says, that does not stop us putting in a contribution, because we have done that at the Olympics, but I think it is right that we are absolutely certain before we start that we know what the costs are and we know where our income is going to come from.

Q536 Mr Jack: I wanted to probe a little bit about the future financial position, but before I do that, could I just ask Mr Stirling perhaps to help me understand. Mr Evans, you said a moment ago in your evidence that, in terms of achieving the steady state, taking into account the RPI minus 5% projection of your income, that you would end up, I think, in 2016 with 15% of your principal assets in D and E category. Can you help me, Mr Stirling, to understand how rapidly, if that is the case, those assets would degrade: because one of the bits of evidence that we have had from users of the canal, the people who help to generate positive income, is that when principal assets go wrong so does their business. Secondly, are those D and E calculations you did spread fairly evenly over the network or are there some bits of it which are considerably worse off than others?

Mr Stirling: The crucial thing in deciding whether you can accommodate Ds and Es is twofold. One is the consequence of their failure. We apply a consequence number to our Ds and Es, and we do that from one to five, with five being, basically, catastrophic, multiple fatalities, et cetera, and you work back to one where there is virtually no impact, and we will not carry Es with a four or a five or very many Ds with a four or a five. You have to watch, because they are as much externally influenced as anything else, because somebody can come along and build a school next to a waterway which was in a rural area and the consequence of failure of the embankment was one. If a primary school was built next to it the consequence of failure becomes five. So, we need to keep looking at that, but, in essence, we take care of the poorest assets but with the biggest consequence. We can then assess whether we can afford to carry more of them. In our view, because we have removed the safety backlog in 2004 and we know the distribution of our assets according to things like consequence, we can afford to carry more. It is true though that the poorer the assets the more they cost. In an ideal world you would have no Ds and no Es.

Q537 Mr Jack: Are those Ds and Es in your projected model located, geographically speaking, on one or two particular canals or are they, as evenly as you can be, distributed over the whole network?

Mr Stirling: No, they are not distributed evenly. If you draw a map of where we predict the work will be to remove the arrears, there is a concentration in the North West, Wales and the border counties, the west Midlands and the south east. There are fewer in the north east area, the east Midlands and the south west.

Q538 Mr Jack: The operational impact in those areas where those Ds and Es in 2016 end up could be quite significant if they failed in that context?
Mr Stirling: That might not be where the Ds and Es are once you have removed the backlog. The ones that we wish to address are concentrated in the areas that I have suggested. When we finish they will be fairly evenly distributed. I am sorry; I misunderstood the question. The 15% will be fairly evenly distributed when we have caught up. At the moment, the ones we call arrears are in a different area.

Q539 Mr Jack: Let us make certain that the Committee fully understands the future financial position because we have spent some time analysing what has been. Looking at the numbers which have been given to us in round terms, if we have understood this, in the period 2007 through to 2011 on the RPI minus 5% projection, your grant income is supposed to drop by £56.7 million. That is correct?

Mr Evans: It is £56.7 million less than we predicted in 2002.

Q540 Mr Jack: This is perhaps where it gets quite difficult for us to understand because you changed your definitions in 2004—tell me if I am wrong—about moving towards your steady state. In 2002 that concept did not exist. What I am interested to understand on this £56.7 is what are the real world consequences or have we covered that in that your 56.7 minus that figure versus 2002 is the bit that ends up with the 15 per cent D and E in 2016?

Mr Evans: It comes back to Mr Taylor’s point. At some stage all this is very simplistic for the very complex nature of 2,200 miles of historic network and all the money we have to spend on it. The consequence of having less money because of the cut in grant which was about seven million in 2005–06, which has not been reinstated, and the further consequence of further reductions will be that we will have less money to spend on the maintenance and repair of the network. It has to mean that there will be less money. Just how that manifests itself is a matter of judgment and balance that we will have to decide, to put the money where we think is best each year which gives best value to the taxpayer and the users. What we are currently predicting is that we will live with 15% in D and E because we think we want to put more money into other parts of the network to make it more attractive and get the towpaths up to better condition. The vast majority of people using the network are on the towpath but the towpath is not a principal asset. If government decides it wants all its money to go on to principal assets, we could do that but the condition of the towpaths would not be improved. This is what the board is here for and I advise the board. It is that constant judgment about where to allocate our scarce resource. We are trying to create simple figures like Ds and Es and arrears to give a view but in reality those judgments are quite complex.

Q541 Mr Jack: Have you received any kind of guidance from Defra about the emphasis of that? Somewhere I read in this plethora of material that we have had that there was some emphasis on trying to increase the number of users of the linear park, the towpaths, which might suggest that it is the non-principal towpath asset where Defra wants you to spend the money and not on the principal assets which are in the interests of waterway users.

Mr Evans: Defra has been consistent in saying that it wants its money spent on the fabric and infrastructure of the network. If we manage through our own resources to increase the money available for spend, they would like to see it help on improving visitor numbers. Defra has been clear that it wants its money to be spent on the infrastructure. Having said that, they are interested in making these good places for people to enjoy and use. Therefore, they are happy to take our judgment of that allocation.

Q542 Mr Jack: The clarity with which you have expressed that answer to me is a clarity of vision and purpose which is shared and enunciated by the Minister, is it?

Mr Evans: You will have to ask the Minister.

Q543 Mr Jack: You have not at this juncture had any ministerial guidance as to whether those priorities that you have just put to the Committee are ministerial priorities?

Mr Evans: We submit our financial plans and our priorities each year to the Department for a three year period. Each year we shift it on and we had no adverse comment last year. We just have submitted our plan for this year and the next four years.

Q544 David Lepper: Was there any positive comment?

Mr Evans: The Department has always been positive about us.

Q545 David Lepper: The Minister?

Mr Evans: The Minister has been very positive and has said on public record he admires what we do and he likes the waterways. He has made a lot of positive comments.

Q546 David Lepper: I wonder what your reaction is to the Minister’s comment in our last session with him, talking about these funding issues, when he commented on the way in which they—that is British Waterways—had perhaps spun things over the past few months and suddenly these problems have arisen out of a relatively modest drop in government funding of 3.9 million. You have been spinning about government grant for a particular effect. That was what the Minister said you had been doing. Is that what you have been doing?

Mr Evans: No, absolutely not. The cut in grant was nearer seven million because we were notified of a cut in the 2005–06 grant the year before. The actual cut in our grant in year is not just the 3.9; it was cut before the year began. We have been absolutely clear about our position on the grant. We have repeated it a number of times already this evening. Cuts in year are never welcome but it is the future that is important. We have consistently, publicly said that these cuts are unwelcome but it is the future. The public perception of the grant has been that people have started to protest or comment against the grant
because these passionate enthusiasts as they are sometimes referred to, these users, remember what it was like in the sixties. They remember when government turned its back on the waterways and they deteriorated. We almost lost them and they are very sensitive about that. They see any change in government as a signal that there may be stormy weather ahead. That is where our position and the users’ positions have become muddled.

**Mr Hales:** We have tried to be very open. At our annual general meeting last year Robin talked about the network and there were some quite hostile questions raised. The senior civil servant who was there had a very rough ride but he answered the questions in a totally open way and he congratulated Robin afterwards on the clarity and reasonable way that he had expressed what the impact was.

**Q547 David Lepper:** I accept all that but nevertheless the Minister seems to think you have spun things. It is not just the users who have been perhaps exaggerating, for understandable reasons.

**Mr Evans:** I am sure the Committee will look at all the evidence that has been put. I would be happy to be presented with anything, any broadcast, any written word, anything that British Waterways have submitted to the Department or anywhere else, which demonstrates “spin”. As the Chairman has said, we have been very clear throughout. Our duty is to provide the right information.

**David Lepper:** It sounds as if it is the Minister you have to convince of that rather than we on the basis of his comments which I have just repeated to you.

**Q548 Sir Peter Soulsby:** Can I take up one very specific thing and that was going behind the Department’s back to meet with Ed Balls? What is the reality of that?

**Mr Evans:** The reality is that that was not a meeting that we knew about, attended or had anything to do with. That was a meeting between Ed Balls and the Inland Waterways Association, one of the user groups. The chairman of the Inland Waterways Association will be very pleased to write to the Committee to confirm that that was a meeting between the IWA and Mr Balls and had nothing to do with BW. BW were not involved in it whatsoever.

**Q549 Chairman:** In the wodge of information we have been sent from Defra obviously some of it is marked in confidence for the use of the Committee only. Would you have misgivings if this was subsequently to be published? It is in the ownership of Defra but it relates to correspondence between yourselves and Defra. We are at something of a disadvantage to know from what we can now draw our evidence given that we have been given that evidence on a privileged basis. Have you any misgivings? I am not asking you to go through page by page whether there are parts of that that you would not want to be published but, as a general principle, have you any misgivings about what is in the public domain now and what is not?

**Mr Hales:** As long as it is not commercially sensitive. **Chairman:** As long as it is not commercially sensitive, publish and be damned?

**Q550 Mr Jack:** Publish but he does not want to be damned. Can we explore a little what may lie behind Minister Gardiner’s observations about your future funding model? I quote from his words in the Westminster Hall debate of 27 March: “We are working with British Waterways to develop a long term future funding model, and to give it the flexibility to engage in more commercial activity to help it to improve its income stream and enable the Government’s grant in aid to be reduced over time. This has always been its intention. We are awaiting its proposals for a regulatory reform order to that effect.” Could you provide us with the background detail as to what that means, please?

**Mr Evans:** We have long thought that there were ways in which we could work with government to help us generate more of our own earned income. There is a range of possibilities. One of them is to enable British Waterways to earn income on waterways it does not own or manage. At the moment, we are only allowed to have activity on waterways we own or manage. Rather than take primary legislation, we can achieve that through a regulatory reform order. That is something we tried to achieve in tagging on a bit to the Natural Environment and Rural Communities Bill. We were not successful in persuading government to do that so now we are looking for a separate regulatory reform order. We are in discussion with the Cabinet Office about achieving that and the process. We are already starting on the long process of achieving an RRO. Another method that we wanted to look at was whether we could be the recipient of surplus government waterside land because we believe we generate value from that. Rather than just putting it on the market, maybe we could look at it and see if we could derive extra value. Our commercial director has had meetings with the persons responsible for co-ordinating the register of surplus government land. We are hoping to be able to regularly peruse that to see if there is anything that is worthwhile. One of the topics of discussion has been a planning gain supplement and, if there is to be such a thing, could waterside planning gain be in some way predicated or could we get a percentage of that gain supplement. It is commonly known and proven that when we restore and improve a waterway the value of the land increased by 20%. We are making a case that 20% of the planning gain supplement could come to us. That is something that we are discussing with the Department of Local Government and Communities. We are also talking very much in the long term about whether the way we are currently constituted as a public corporation delivers best value. That is a long term piece of work which we are currently engaged in discussing internally and we are getting some outside consultants to look at it too. I would suggest that is a very long term piece of work and there are a lot of...
things which we have to be very clear about and establish about the benefits of our current structure and where we think those things can be improved.

Q551 Mr Jack: In the context of the regulatory reform order proposal about being able to develop on waterside sites which are not currently yours, have you been asked to supply some kind of estimate to Defra as to what you think that could mean in terms of additional income over the period up to 2016?
Mr Evans: We have not been asked that exact question.

Q552 Mr Jack: Which question have you been asked?
Mr Evans: What the Department have said is that they agree with us that allowing us to operate off our waterway is a good thing. When we have been asked what kind of benefits and what figures might be involved in all of these extra activities, we find it very difficult to put a figure on that because it entirely depends on what the opportunities are. If we widen our powers we are able to look at a wider selection of opportunities.

Q553 Mr Jack: If you are the Minister, he has two options: status quo or change. You have made some projections already as to how much money you think you are going to be short of. If the Minister is told by you that there are ways that you could raise additional revenues, you must want to have some idea of a very rough, ballpark number to decide whether it is worth making a change in your legislative position to enable you to realise some money. You might say, “Give us a go. We will see what we can do. There might be the odd wharf here or the odd riverside frontage. We cannot tell you whether it is worth doing it or not.” You would not be asking if it was worth doing it if you did not have some idea of perhaps one or two little schemes up your sleeve that you would like to have a go at. I am not asking you to give me a list of them.
Mr Evans: I do not think operating off our waterways will be transformational in our fortunes. It could generate another £1 million a year over time. It is all in the right direction and there could be an opportunity for a particular property development which may be spectacularly worthwhile, but I would never be able to predict that.

Q554 Mr Jack: You would still come back to the basic contention then that, plus or minus maybe £10 million over that period, you are still going to be short of money to do the job that is your principal activity?
Mr Evans: For the period up until 2010–12, with the current grant assumptions, we will have less money to spend on the network than we believe we need.

Q555 Mr Jack: Property is a long term arrangement. I suppose to a certain degree you have an element of certainty about income. Looking at the figures which you have supplied, in the profit and loss figures you show a planned build up of British Waterways’ joint venture income which is, year on year increase, quite spectacular. For example, 2007–08, you are predicting an income of 43 million as BW’s share of joint ventures. That roughly doubles by 2009–10. Is that absolutely certain?
Mr Evans: Nothing is certain but that is not profit. That is gross income.

Q556 Mr Jack: I accept what it is but it is a very key underpinning of your overall income position because over that period you can see the effect of the grant reduction, I presume. Your income overall goes up by eight million but the amount of money that you are putting on joint venture income goes up by 40-odd million.
Mr Evans: That is because we are developing out a large number of properties where we are selling apartments and office spaces. That is our share of the income, coming in. There are very considerable costs going out. The line to look at if you are looking at the whole page of figures is the contribution line, where it says “BW’s share of joint ventures CBT” which is a much lower figure. It is still a handsome increase from 2.6 million this year to 14.4 million in 2010–11 but that is the contribution. These are gross turnover figures. There are an awful lot of sales of property going on but it hides a lot of cost of constructing the properties in the first place.

Q557 David Lepper: On this question of greater commercial freedoms and so on for British Waterways, you told us just now that the meeting with Ed Balls had not been a meeting which British Waterways had with him but a meeting that the Inland Waterways Association had with him. When the Department say to us in a memo that they sent us in April that they are disappointed that British Waterways and the Inland Waterways Association made proposals at a meeting with Ed Balls on 3 November, they have it wrong?
Mr Evans: They have.

Q558 David Lepper: Mr Hales, you did write to the Speaker on 22 November. Could you summarise for us why you felt it necessary to write to the Speaker of the House of Commons?
Mr Hales: We opened the Basin up in Port Dundas, the Speaker’s constituency. The Speaker came along and opened the lock. He expressed interest in and concern about British Waterways and asked myself and the British Waterways Scotland, chairman to go and see him which we did. He asked me to write a letter setting out any constructive suggestions that we had in terms of solutions to the current gap.

Q559 David Lepper: You were responding to an invitation by the Speaker to give him further information arising from something which initially he saw in his constituency?
Mr Hales: Correct.

Q560 David Lepper: You had not initiated that correspondence yourself?
Mr Hales: No. It is exactly as I say. We met in his constituency when he opened the lock.
Q561 David Lepper: In that same memo from Defra, they say they were disappointed about that as well, the fact that you wrote to the Speaker. It would have been impolite of you not to write to the Speaker if he had invited you to. I would have thought.

Mr Hales: I think so. If any MP invites me and asks me a question, I should reply.

Q562 David Lepper: I would agree with you. On the issue of the meeting with Ed Balls and the issue of the correspondence with the Speaker, the spin that is placed on those two events by Defra is wrong because their implication is that somehow you—I do not mean you personally, Mr Hales but the board, Mr Evans or others—have gone to another department and to the Speaker in an underhand way.

Mr Hales: I do not think we were underhand.

Q563 Chairman: Can you give us any cause for optimism in this recent series of problems because, at the end of the day, there is a network out there which is improving. Give us some positive spin.

Mr Hales: We have a network that has improved, that is looking pretty good today. We have some really good further development schemes in hand and we would like to find a way of resolving the one that is in your constituency, Chair.

Q564 Chairman: It is not important.

Mr Hales: It is important to me. It is very difficult. We have a very positive relationship with the two officials that have come onto the case recently. I do not want that to infer that there was anything about the relationship we had in the past. The two officials working with us now have grasped the issue very quickly and we have a positive relationship with them. We had a good meeting with the Minister after the most recent debate on the waterways and a good visit with him to the Bowback Rivers the other day, which has certainly helped. We all want to move on and take the waterways forward and not perhaps spend too much time going over the past. There is now a clear understanding of the facts, of what the state of the waterways is and what we exactly mean, the nuances in the A to E, where we are in the A to E and the steady state. We have a common understanding. We are now in a position where we need to find a solution as to what are the outputs that the government clearly wants and what is the best way of funding those. We will continue to drive commercial income as we have and we welcome new ideas. We have had some where we would like new powers but we certainly are open to any further new ideas as to how we can exploit this wonderful asset base that we have.

Chairman: Thank you once again for your evidence. Even more so than before, what is said is certainly going to be read in places where maybe it would not have been read as carefully as one would have liked. It certainly will be now. If nothing else, the canal interest groups have had plenty of opportunity to dissect every aspect of the waterways. I know they will continue to do so. My cycle ride in Gloucester yesterday did elicit some continuing interest in all the things that are going on. For that we are all grateful. We thank you for your evidence. We will read and reread what is said in the transcript from Gurneys and we will now consider in private how we take things forward. Thank you for your time.
Written evidence

Memorandum submitted by the Bedford & Milton Keynes Waterway Trust (BW 01)

THE IMPORTANCE OF THE BEDFORD & MILTON KEYNES WATERWAY (B&MK) PROJECTS CONTRIBUTION TOWARDS THE BRITISH WATERWAYS AMBITION OF CREATING AN EXPANDED VIBRANT WATERWAY NETWORK

1. The B&MK will be unique as an entirely new broad canal linking the Grand Union Canal at Milton Keynes to the Great Ouse River at Bedford. Therefore it will create 21st Century waterway heritage that will enhance significantly the economic, environmental and social development of the Marston Vale corridor between Bedford and Milton Keynes that the Government has decreed shall take a huge amount of extra housing. This development threatens to be a succession of featureless housing estates with broken emaciated countryside between unless they are linked and embellished by the nature necklace of the waterway park of the B&MK.

2. The benefits of the new canal are endorsed by all political parties, local government and the general public. British Waterways supports the project strongly as far as their straightened financial position allows, not least as it seen as complementary project to the inland Fen Waterways Link from Lincoln to Boston to Peterborough. These two projects will provide the first inland broad waterways link between the wide waterways of the north to the southern Grand Union and so to the River Thames and broad waterways to Bristol.

3. Our concern is not only that British Waterways is unable currently to give this project the major support it deserves, but that they will be unable to take on the care of the new waterway as a shining addition to our waterway heritage when it is built. It will be heritage embracing the best of new 21st Century technology as well as the best of our historical excellence.

Bedford & Milton Keynes Waterway Trust

December 2006

Memorandum submitted by Simon Greer (BW 02)

1. It is with regret that I make this submission. With over 30 years boating experience I’ve witnessed the injection of a massive public subsidy into the canal network such that now we have an over regulated, over managed, over blown water linear theme park managed by an often well meaning but singularly inappropriate overpaid management.

2. I am exhausted by the burden of ever greater numbers of rules, regulation, controls and restrictions brought to bear by BW for the simple act of owning, running and maintaining a canal boat.

3. BW is more interested in Property development, self aggrandisement and corporate survival than it is in looking after boaters or canals. Consequently BW uses the number of millions of visitors it attracts to its subsidised water theme park as the yardstick of satisfactory performance above any other.

4. I believe BW has the wrong priorities, is expensive, is self important and should have its wings clipped as the price of its own delusion.

5. Below is the private submission I made November 2006 to BW management that to the best of my knowledge has disappeared into a black hole. It should be useful to DEFRA.

6. Robin Evans says BW is not a Housing Authority. But why is it a water Linear Theme Park? Which is how BW seems to run it. What is so wrong with a potentially green Transport Network?

7. Robin Evans justifies his £250,000 salary, plus bonus, on the basis that BW needs the best management and must therefore pay top rates for the best. But does BW need top management to run a subsidised monopoly? And what makes him believe he and his team are the best? Does anyone ever seek a second opinion?

8. In any strictly commercial terms BW is bankrupt. It consistently lives beyond its means and operates annually at a £50 million + loss.

9. BW should live within its means just like the rest of us. Pleading poverty doesn’t wash anymore. Crying “wolf” has become a BW lifestyle which I am obliged to fund.

10. BW’s spending should be examined by the forensic scrutiny of the bankruptcy accountant. Cut the profligacy, reduce the budget. Its what happens to any other bankrupt.

11. Instead we are invited to applaud expenditure on a new literature, new signs, new computer systems and the like and to accept in good faith a succession of price increases. On two fronts as taxpayers and as a boat license purchasers many boaters feel singularly aggrieved at footing the bills. As an unpaid restorer in the 1960s, I feel aggrieved on three fronts.
Privatisation

12. The Government’s job, amongst many, is to run schools, administer hospitals and seemingly fight wars. Its brief does not include overseeing the running of the monopoly subsidised linear theme park that BW has allowed our canal to become. Imagine how thrilled Alton Towers would be if they too could get their hands on annual subsidy of £50 million from the taxpayer.

13. The judgment is if the Government doesn’t want “out” now it will want “out” in the future. The only issue is when. Conceivably the Government has more important things to do with taxpayers’ cash and its management time.

14. So I believe it is entirely predictable that any of the Utility Water Companies would buy BW for it reservoirs and the fresh water they contain that now haemorrhages out to sea. Indeed I have written to the COE of several asking if they are considering this option and have received back at least one positive reply. The water Utility Companies are keen to buy. To receive possibly billions of pounds to lose a financial liability must seem very attractive to the Government. It could be keen to sell! The extent that BW pleads poverty just exacerbates the Governments inclination to get rid of a peripheral and winging responsibility. BW is good at pleading poverty, its certainly peripheral.

15. Likewise the Government could name its price. Perhaps £5 may be £10 billion, even more. It’s of little consequence to the buyers as they will simply recover their spends by amortising the capital cost onto water bills over 20–30 years.

16. Since I see this development as almost inevitable I ask that instead of a sale happening over boaters heads our interests are paramount on any negotiation agenda. Who is going to pitch for a good deal for boaters? Perhaps BW with its top quality management skill could be persuaded to negotiate a subsidy package that represents an ongoing reduced cost base for boaters. I believe that unless this issue is faced and such representation asked for, it will not naturally be given. BW can we have your assurance you will do our bidding?

Legislation

17. At various court cases involving boaters and moorings, BW has pleaded that private entitlement to moor alongside one’s own land was rescinded by the 1968 Transport Act. Yet BW claims today it needs new legislation to scotch private historical rights that seemingly encumber its management of the waterways. Logically such rights either exist and we boaters can benefit from them or they don’t. Since BW is wishing to eliminate them again by new legislation, boaters are entitled to assume they exist. So are the courts.

Simon Greer
January 2007

Memorandum submitted by Louis Jankel (BW 03)

1. “The Committee will examine how British Waterways is working towards its ambition of creating ‘an expanded, vibrant, largely self-sufficient waterway network’, in the context of the policies set out by the Government in Waterways for Tomorrow (published in 2000), the most recent policy review of British Waterways (carried out in 2004–05), and recent changes in Defra’s budget.”

1.1 The key word is “self-sufficient”. There is no realistic chance that British Waterways (BW) will be self-sufficient in the future unless there is a fundamental reappraisal of the fiscal constraints their status attracts. British Waterways wish to achieve a future without Grant in Aid (GiA) but currently need the best part of £60 million to “tread water” and there is still £119 million backlog of capital remedial work some of which has “Health and Safety” implications. It is not rocket science to see that this dichotomy is almost irreconcilable—in fact it will need rocket science to achieve such an aspiration unless the freedom to raise capital secured against assets is extended to corporate British Waterways. The current funding system with these in year cuts, now incorporated into 2007–08, shows just how almost impossible it is for British Waterways to effect any serious planning for the future under the current funding structure or even under the current government department structure.

1.2 If British Waterways can offer sufficient undertakings that their capital works on the canal system will be given the priority that is concomitant with that of being the canal navigation authority, then release from government imposed fiscal regulatory limits should be encouraged as a matter of urgency. This must not include any thought about removing British Waterways from public ownership.

1.3 Is Defra the right department of government to be the funding agency for the canals? Panic is a fair description of Defra’s implemented solution to their self-inflicted catastrophe, which “infected” British Waterways and the other agencies on whom in year cuts have been imposed. This is the reality even though Defra seem to have tried to convince their ministers that the cuts have nothing to do with farming subsidy. In the world of commerce such corporate guardianship as manifested by Defra would attract serious disparagement and inevitable sanctions. Defra’s antics are no way to run any business.
1.4 By definition, British Waterways must have a close working relationship with Defra. The spirit of Waterways for Tomorrow has now been totally undermined by the continuing of the 2006–07 in year cuts into the 2007–08 funding allocations. The most recent press statement from Tony Hales, welcoming the 2007–08 £55.5 million (compared to the 2006–07 £62.5 million) has much to liken it to Caesar’s salutation to his friend Brutus while the “Defra friend” plunges the dagger into BW’s chest. Clearly, that which is blindingly obvious to us all, is that these cuts are seriously injurious but are to be whitewashed over in the interest of public unity. British Waterways have made a statement that leaves them looking more than slightly ridiculous. I look forward to the Select Committee cutting through the obviously prepared positions to establish the actuality.

2. CURRENT USERS OF THE WATERWAY NETWORK AND THEIR RELATIONSHIPS WITH BRITISH WATERWAYS

2.1 It would help the Select Committee if they added the descriptive noun “customers” to “users”. Some of us, including myself, pay upwards of £5,000 pa to British Waterways and other customers pay out even more. The current customers are predominantly the 30,000 boat license holders. Everyone else including the commercial enterprises, from pubs to boat fabricators, rely exclusively for their prosperity on a vibrant leisure boating public. Many British Waterways developments acquire added value from having the association of canal/waterway infrastructure. Even the fishermen; ramblers and cyclists who enjoy and take for granted the wonderful country pathways, need the boater customers’ near £20 million fees to help pay for the maintenance of their towpaths. It is certain that British Waterways have a very ambivalent relationship with their customers and negligible relationships with their users—perhaps just the fishermen.

2.2. Occasionally British Waterways manage to anticipate their users’ needs but more often than not, they manage to generate serious conflict with their customers. Many unaffiliated boaters, who happen to be the majority of the British Waterways customers, consider that their views are never reflected within consultations between British Waterways and their consultation vehicle, the National Navigation User’s Forum (NNUF). Because of the need for NNUF spokesmen to refer back to their committees, this forum is an unwieldy decision maker. How much weight will the Select Committee give to the evidence from the NNUF members during this consultation?

2.3 The Select Committee could consider recommending the introduction a similar system that has proved very successful with the Environment Agency. The FERAC consultation committees in particular offer a public debate on proposed policy and ensure wide discussion before adoption. A broad range of users views can be heard and considered. All users, many of whom have no input to any policy, could be enfranchised and seen to be enfranchised.

2.4 Many customers feel they are a “milk cow” for British Waterways to exploit by their apparent monopoly on the canals.

2.5 Never has new boat fabrication been at a higher level. These boats need mooring facilities and there is no real initiative by British Waterways to address this problem. By refusing to even approach satisfying the supply needs, mooring charges are racing ahead of inflation. Residential boating facilities are so scarce that waiting lists can be as much as 10 years—in the major cities, even more. There is no doubt that a more holistic approach to the entire boating communities’ mooring needs could go some way to satisfying the pressures that are building within the boating population and at the same time increase mooring income by spreading it more effectively. Such policies would encourage more competitive rates that all boaters could then afford.

3. THE FINANCIAL FRAMEWORK OF BRITISH WATERWAYS AND THE IMPACT OF CHANGES IN DEFRA’S BUDGET

3.1 Many consider British Waterways' financing is on a knife’s edge. The infrastructure they are required to care for is on average some 200 years old. The canals have never managed to attract adequate funding to restore them to a condition that would guarantee a safe future. The imposed “in year” cuts tell the tale. A document, just released by British Waterways, elucidates the number of planned maintenance jobs that have been re-scheduled for this winter or even cancelled. The phrase “patched up” is used in most instances where the work cannot be postponed but cannot now be fully funded. An engineer will relate that such “patching up” will prevent immediate failure but that expended money in the “patch up” will be ultimately entirely wasted, as the original fundamental remedial work still needs to be carried out at a now later date and at the original planned cost. These imposed cuts are in reality very expensive short termism that has plagued the waterways for decades.

3.2 The tragedy that is the forced shedding of 180 jobs is a loss of irreplaceable experience from British Waterways’ skills pool and just exacerbates the trend of the past decades.

3.3 Addressing the capital needs; consider the practises of other navigation authorities. The Environment Agency navigation department is currently establishing an asset register. This register is to specify each and every asset:

- its condition;
- the cost to bring the asset into good order;
- the expected maintenance cost to ensure continued good order;
— the expected life of the asset; and finally
— the cost, at current values, of the replacement of the asset.

This exercise is no more than any Plc would see as its fiduciary responsibility to its shareholders. The Environment Agency will have established a definitive Grant in Aid programme. Some policy makers think the monies received from boat registrations should cover for the Environment Agency navigation revenue budgets and preserve Grant in Aid for its original purpose.

3.4 Such a policy by British Waterways could once more direct Grant in Aid back to its original function of infrastructure maintenance. This level of information will allow a 25-year investment plan to be established so that government can immediately see and be seen to inflict damage by any future funding reduction from the established plan. It might be a useful exercise for government to establish if, once it has seen the reality, it has the stoach to fund a continuance of the nation’s waterways. British Waterways has a £119 million capital backlog programme and the cuts covering 2006–07 and 2007–08 will see this figure rise—not fall. Has anyone in Defra any idea as to the cost of annual maintenance work needed to ensure the £119 million capital backlog list does not grow? I doubt it.

4. RECENT DEVELOPMENTS IN THE STEWARDSHIP WORK AND COMMERCIAL ACTIVITIES OF BRITISH WATERWAYS, INCLUDING ITS PROPERTY PORTFOLIO

4.1 The management of the waterways requires and should demand a policy that bears a relevance to its business. British Waterways is guardian of a 200 plus year heritage; accordingly it should have a plan that considers the needs to perpetuate this national asset for posterity.

4.2 Defra seem content to accept panic funding cuts and no forward planning past three years and that being subject to half-yearly reviews. Their supposed request for a long term funding plan from British Waterways has as much to do with treasury forward spending budget requirements as much else.

4.3 The current Defra funding policies have not proved efficacious. They have now proved to be damaging and manifestly impractical.

4.4 The future of our canals should reside exclusively with British Waterways and to that end, with safeguards in place, British Waterways should be given complete fiscal freedom to manage their own destiny. The company should be given a guaranteed subsidy for a fixed number of years to wean them off Grant in Aid. Management by targets!

4.5 The continued development of British Waterways’ £538 million property portfolio is undoubtedly a fundamental role, as this activity must play a key role in the future funding of the waterways. Perhaps it is time to open up the potential of this portfolio and see the proposed developments along with past developments to establish that a reasonable Return on Capital has been and is attained for each asset and that value for money is being achieved. The National Audit Office are obviously perfect for such a task. The potential income and the future contribution such income will deliver to the waterways upkeep, could be established and introduce, as targets, into future long term funding plans of the waterways.

4.6 Once this exercise has been completed, the inevitable logic of changing the British Waterways financial constraints becomes irresistible.

4.7 Stewardship of the waterways and bringing their heritage into the 21st century is the British Waterways’ paramount duty but one has a sneaking feeling that it will be the first casualty of continuing funding cuts. Management actions and capital investment underline that British Waterways have an unwritten lore that nothing should impede their property development plans. Canal infrastructure “patch up” will continue to live long and prosperous! British Waterways has never been deluded into considering itself as a charity and will view stewardship in this context.

4.8 British Waterways, once released into a free capital market, must have safeguards introduced to be a reminder that their core activity is managing the waterways. Only last year even Defra had to remind them of this!

5. POTENTIAL FOR GROWTH IN LEISURE AND FREIGHT USE OF THE WATERWAYS NETWORK

5.1 The potential for growth in the wider leisure industry is enormous. More and more UK families are taking two or more annual holidays. The waterways have a real chance to increase their share of this holiday market. Hirings continue to grow. As mentioned new boat builds have never been more numerous. Carbon footprints will be a good promotion point!

5.2 Hopefully the Olympics will offer a real opportunity for the local rivers and canals to be utilised in servicing the developers’ needs and significantly reduce the “lorry” events/activities. Hopefully the Olympic legacy funding can develop this further.

5.3 The boating holiday hire industry, with sympathetic understanding from British Waterways, will continue to expand and continue to attract future boat owners. Promoting this side of the waterways’ commercial activities is an investment that cannot be ignored. Every other aspect of canal life will grow and prosper with the resulting commercial expansion.
5.4 With Defra showing little interest in supporting waterways investment, there must be little corporate incentive to develop and invest in the leisure industry, commercial enterprises or into any other area of the waterways. The future of the waterways is clearly in a fragile state and future health and wealth creation is plagued by the vagaries of funding, so precisely demonstrated by these current Defra imposed cuts!

5.5 Defra’s current policies towards the waterways are inflicting damage and potentially irreparable damage. British Waterways have just announced their intention of closing their special department dedicated to expanding commercial freight and delegating the task to various regional offices. One must presume the two members of head office staff dedicated to commercial traffic expansion will be made redundant! If these job losses are not budget cut driven then British Waterways are giving up on active development of commercial traffic.

6. RELATIONSHIPS BETWEEN BRITISH WATERWAYS AND CENTRAL GOVERNMENT DEPARTMENTS, REGIONAL DEVELOPMENT AGENCIES AND LOCAL AUTHORITIES

6.1 Over the past couple of years, it is very clear that significant pressure has been exerted by Defra onto both British Waterways and the Environment Agency to put up and shut up. It is to the credit of both chief executives that they have managed to inform the public and users quite so precisely of the problems these cuts have caused.

6.2 However it is clear that a climate of fear exists within general ranks of British Waterways as well as the Environment Agency in case their “relationship” with Defra is tested. Those who have watched the reporting of the outcome of negotiations with Defra over the past couple of years are more than aware that there is now the heavy hand of retribution already raised. The statement on the new funding allocation for 2007–08, issued by the British Waterway’s chairman, is incredible and so patently denies reality that it could not be an involuntary comment and its sentiment is certainly not shared in private by a large number of BW senior executives.

6.3 None of the Defra civil servants directly involved with financing waterways now have any personal knowledge or experience of boating or indeed the waterways. They should begin to consider that they would be better servants to this country, not to mention better guardians of tax payers money, if they began to listen to the people charged with the waterway upkeep and also if they came out of their exalted and rather arrogant isolation to engage with the boater customers, the industry’s "de facto" secondary funding group”.

6.4 To my knowledge not one member of the decision making group within Defra own or operate a boat, nor use the waterways in any way save as fishermen or ramblers. That lack of subject knowledge by the responsible government department is certainly not the case in almost every other branch of government where knowledge of the arena in question is retained.

6.5 I offer an extract from an e-mail received from a senior navigation authority employee to a sensible commercial suggestion and you will see why it must be anonymous. “It would be political suicide to do such a thing. We are expected to be ‘aligned’ with Defra, however hard that may be for myself and some of my colleagues!”

7. IN CONCLUSION

I ask the Select committee to consider:

(a) If British Waterway’s aspiration of “Self-sufficiency” is anything more that a political sound bite.

(b) “Customers” as effectively the “secondary funding group” and a specific entity within users.

(c) The representation of boaters within British Waterways’ policy generation and introduce consultative statutory committees along the lines of the Environment Agency FERACs.

(d) If it makes commercial sense to require Defra to commission, from British Waterways, a comprehensive “Asset register” to establish a precise investment requirement to maintain the waterways in good order.

(e) If the taxpayer would benefit by the National Audit Office viewing British Waterways’ property portfolio and establish if value for money is achieved and establish targets it would be reasonable to expect from the development of the portfolio to supplement British Waterways’ income.

(f) If the relationship between Defra and its funded Agencies is a healthy one or if it is one of an autocratic and ill-informed bully to minions.

(g) If the current corporate financial restrictions placed on British Waterways have relevance any longer and if everyone’s aspirations for British Waterways would be better served by freeing them up.

(h) The fiscal plight of British Waterways’ boater customers, the majority of whom are pensioners on fixed incomes. During 2006 they faced:

— boat licenses to rise by 137% over four years;

— moorings charges increased by as much as 25%;
— electricity prices doubled on 1 November;
— service price increases: e.g. pumpout prices rising from £4 three years ago to £12.10 today; and
— fuel costs about to double with the loss of derogation.

With inflation (CPI) at 2.9% is it any wonder boaters feel aggrieved?

I thank the committee members for their time in reading my submission.

Louis Jankel
January 2007

Supplementary memorandum submitted by Louis Jankel (BW 03a)

In their oral evidence to you, the Inland Waterways Association (IWA) suggested that the waterways system should be unified under British Waterways (BW). I am writing to insist that, to my certain knowledge, very many users and user groups disagree with the IWA position.

This IWA policy was born in the 1940s, prior to the creation of the BWB and before the development of modern ideas of river basin management. In the opinion of many users the IWA policy is now out of date.

The EC Water Framework Directive (WFD) has changed the way in which river catchments will be managed in future. The Environment Agency (EA) is rightly leading this work. BW has no great expertise in these matters. Non compliance, with the WFD could lead to significant fines from Brussels that would make the recent examples levied on Defra seem trivial.

The EA has done a good job in managing its navigations in an environmentally friendly manner, while giving due attention to the needs of boaters. I have taken my narrowboat the length of the Rivers Nene, Great Ouse, Thames, (EA administered); Trent, Ouse, Weaver and part Severn (BW administered). It is obvious to everyone that we should be attempting to bring the BW rivers up to the standards of safety manifest on the EA rivers.

I am a life member of RYA, IWA as well as a number of restoration groups; a member of the National Association of Boat Owners (NABO) and the Dutch Barge Association (DBA). I hold no executive positions within any of these bodies. I am active in the River User Group (RUG8) for the lower Thames as well as the River Thames Waterway Working Group (WWG) and the Thames User Group navigation (TUGn). TUGn consists of user group representing 24% of all the national navigation boating income. We are the national waterways secondary funding group.

I am also a member of the Thames Region RFRAC.

Since retirement in 1997, I spend six months of each year on my boat cruising about the inland waterways.

Louis Jankel
March 2007

Memorandum submitted by Richard Fairhurst (BW 04)

EXECUTIVE SUMMARY

British Waterways’ policy of self-sufficiency appears not to have been requested by Government; has not been the subject of consultation; and may have adverse effects on the waterway system and its users

1. Thank you for the opportunity to contribute. This is a personal submission from Richard Fairhurst, boater, cyclist, walker and waterway user. For background, my day job is editor of Waterways World magazine. Previous experience has included: editor of British Waterways’ leisure website Waterscape.com (2003–05); deputy editor of Canal Boat & Inland Waterways magazine (1998–2003); founder of the restoration group for the Melton Mowbray Navigation and Oakham Canal; and director of the Foxton Inclined Plane Trust. This submission is not on behalf of any company or other organisation but, inevitably, is informed by this experience.

2. In relation to the terms of reference, I would ask the Committee to consider whether British Waterways’ cited ambition—“an expanded, vibrant, largely self-sufficient waterway network”:
   (a) is appropriate; and
   (b) was decided upon in a proper fashion.
3. “Expanded” has been the aim of the waterway movement for 60 years. There is ample precedent during this period to justify the inclusion of this aim—starting with the restoration of the Stratford and Stourbridge canals, continuing up to the present day with the Rochdale, Huddersfield, Forth and Clyde etc. Few, of course, would quibble with “vibrant”.

4. “Largely self-sufficient” is much more contentious, representing a significant change to the way the waterways have been run since 1948. Many waterway users have reservations about this ambition, including:

(a) concern at increase in unsympathetic waterside development;
(b) concern at consequent over-reliance on state of property market;
(c) concern at rises in direct costs to waterway users (eg mooring fees);
(d) belief that public funding should reflect public use of the waterways;
(e) belief that BW is now more focused around business customers than individual boating/walking etc customers; and
(f) belief that policy invites reduction in Government grant-in-aid.

5. There is no evidence of a formal Government instruction that BW should become “largely self-sufficient”. DEFRA confirms that it has given no instructions to BW since the Framework Document [Source: FoIA request, summer 2006]. The previous BW management (under chief executive David Fletcher) did not interpret the Framework Document as a mandate for self-sufficiency. It appears to be a policy decided upon by current BW management in 2003.

6. Nor has there been any consultation with stakeholders on the adoption of this policy.

7. Whether as a result of DEFRA grant cuts or not, BW’s focus on self-sufficiency could endanger relationships with current waterway users and “stewardship” of the waterway network. Some examples from the last two months alone:

(a) two long-serving BW directors with significant engineering knowledge (Derek Cochrane, Ian White), and a track record in successful canal restorations, have been “retired” to the dismay of waterway users;
(b) the central freight department has been disbanded, removing a significant social benefit seen as uneconomic for BW;
(c) BW-controlled mooring fees have risen significantly, putting many boaters’ continued presence on the canals at risk;
(d) marketing resource in the West Midlands/Central Shires area, the most canal-conscious region of Britain, has been reduced from 5.5 to 1.5 persons, severely affecting customer responsiveness; and
(e) in addition, BW has said it will no longer be able to assume any risk on restoration projects, necessary for the creation of an “expanded waterway network”.

8. British Waterways has achieved a great deal in the past 15 years and deserves congratulations for this. It has many dedicated, talented staff, even after several rounds of redundancies of 2003–06; and in its task of maintaining and enhancing the waterway network, it has the goodwill of thousands of supporters. However, it is right that its most fundamental policies should be questioned if they were neither requested by users nor justified by wider Government objectives.

Richard Fairhurst
January 2007

Memorandum submitted by Stephen Rudd (BW 05)

A. EXECUTIVE SUMMARY

1. British Waterways [“BW”] has increased the price charged for the use of certain facilities provided by it which increase is without justification.

2. BW has, as a consequence of insufficient regular and planned maintenance, failed to maintain the Kennet and Avon Canal such that it is available for use without closure. This situation can only be made worse by the cuts made by DEFRA in its budget allocation to BW.
B. TO BE CONSIDERED UNDER THE HEADING OF “RECENT DEVELOPMENTS IN THE STEWARDSHIP WORK AND COMMERCIAL ACTIVITIES OF BRITISH WATERWAYS”. UNJUSTIFIED INCREASE IN CHARGES RENDERED BY BW

1. BW provides certain facilities along the canal network for the use of boaters. Such facilities include:

1.1 Pump-out machines. These machines empty the effluent tanks used in boats.

1.2 The supply of electricity at some of the moorings that it administers.

2. For its own convenience BW uses the identical magnetic card to operate both pump-out machines and the electric meters that supply electricity at moorings. Those cards have in the past been purchased by boaters from shops and other businesses around the canal network.

3. On 30 October 2006 the South West Waterways—Kennet and Avon Canal issued Information Notice SW/2006/K&A/112. This informed canal users that electric and pump-out cards would, from 1 November 2006, be increased in price from £6.30 to £12.10, an increase of 92%. The notice stated “... The increase is due to the increased price British Waterways pays to electricity suppliers. British Waterways is not adding any mark-up of this amount.”

4. Subsequent to a request made under the Freedom of Information Act 2000 the following facts have been established:

4.1 BW does not know and cannot know how much electricity is consumed by pump-out machines because the supply to such machines is not separately metered and

4.2 BW does not know the exact cost of electricity consumed by its pump-out machines because electricity is supplied to different locations at different prices and

4.3 Accordingly BW cannot justify any increase in the price for pump-out cards upon the basis of the increased cost of electricity.

5. However, the said request has established that the average cost of electricity supplied to BW has increased from 4.2p/kWh to 7.8p/kWh as at 1 November 2006, an increase of 86%. Inquiries made to Lee Sanitation, the supplier to BW of the pump-out equipment, has established that the electric motor that operates the equipment has a capacity of 1.1kW and that the equipment operates for eight minutes for each pump-out. It follows therefrom that each pump-out consumes 0.14663kWh of electricity and that based upon the average increase in price that took effect on 1 November 2006 the increase in price of electricity per pump-out equates to 0.53 pence. Clearly therefore BW cannot justify an increase in price of £5.80 upon the basis of the increased cost of electricity.

6. By an e-mail dated 18 December 2006 Jean Hicks, of BW, explained that the payment cards used for pump-out machines are identical to the payment cards used by units that distribute 30 units of electricity to moored craft and that because pump-out machines are configured such that 30 units are charged for each pump-out the pump-out cards were increased in accordance with the necessary increase in cards used for electricity supply.

7. She also explained that based upon market research of the cost of pump-outs charged by private boatyards throughout the canal system the increase charged is allegedly justified. This argument, of course, is wholly inconsistent with the express provision of the Information Notice, which states that the increase is entirely due to the increase cost of electricity upon which BW has added no mark-up. It also ignores the fact that the cost of pump-outs provided by boatyards are undertaken not by the boater but a boatyard employee and invariably includes the provision of Elsan fluid (the chemical used in effluent tanks).

8. It is therefore clear that BW has chosen to increase the cost of pump-out cards simply because of its choice to adopt the same type of card and card reader in both pump-out machines and those that supply electricity to moored craft and to avoid the effort of re-configuring its pump-out machines to operate on less than 30 units per pump-out.

9. As a consequence of the action of BW, businesses along the Kennet and Avon Canal (including the Kennet & Avon Canal Trust) are refusing to stock the new higher-priced cards because their commission on sale has been reduced to less than 30 pence. Furthermore, boaters will stop using the pump-out equipment both because of the non-availability of the pump-out cards and because they will prefer, on the basis of cost and service provided, to use boatyards or to pump-out themselves manually. This last alternative is particularly troubling, as many boaters will attempt to pump-out manually into sanitary stations meant to receive effluent from cassette type toilets. This may result in the spillage of raw effluent and a consequent health hazard to both boaters and other users of the canal and its towpath.

10. This matter has been brought to the attention of BW but it has failed/refused to remedy its error. The appropriate course of action for BW should be as follows:

10.1 BW should accept that it is inappropriate to use the same card for the operation of both pump-out machines and for the supply of electricity; and
10.2 so far as pump-out cards are concerned the price should be retained at £6.30. This is because the maximum increase justified by the increase cost of electricity is £0.0053. BW should refund the excessive and justify amount charged at £12.10 since 1 November 2006 and

11. The increase in price, announced by BW immediately prior to 1 November 2006, may have been influenced by the Defra cuts and BW, misguided, attempting to improve its “commercial focus”.

C. TO BE CONSIDERED UNDER HEADING OF “THE FINANCIAL FRAMEWORK OF BRITISH WATERWAYS AND THE IMPACT OF CHANGES IN DEFRA’S BUDGET”. INSUFFICIENT PLANNED AND REGULAR MAINTENANCE

1. The Kennet and Avon Canal has benefited from a very significant lottery grant together with matched funding from BW and other sources. BW made a significant contribution to matched funding arising out of its budgets for planned maintenance works. This reallocation of money was made upon the promise that the backlog in planned maintenance would be swiftly made up upon completion of the improvement works undertaken and financed by the lottery grant and its matched funding.

2. It is believed that BW made an undertaking to both the lottery and sources of matched funding (including Local Authorities) that on completion of the lottery funded improvement works the canal would be maintained to a high standard such that it could achieve cruiseway status.

3. The lottery funded improvement works were completed over three years ago. The backlog of planned maintenance and the maintenance of the canal to a high standard has not materialised.

4. During 2006 the Kennet and Avon Canal was closed on four occasions. At Crofton for repair to lock gates, at Keynsham Lock to replace lock gates and Locks 38 and 40 on the Caen Hill Flight where lock gates were also replaced. BW alleges that the gates to Lock 40 were damaged by a boat. It was, however, unable to identify the boat and a close visual inspection of the damaged lock gates established that there was no evidence of impact damage but that the lock gates were rotten. The closure lasted a month and caused major disruption. Shortly after the flight was reopened it was again closed for 10 days for the gates to lock 38 also to be replaced for the same reason.

5. Many lock gates on the Kennet and Avon Canal are in a condition no better than those of Locks 38 and 40, the replacement of which caused the closure of the canal and major disruption. BW are aware that many other gates are in urgent need of replacement yet these do not feature in their planned maintenance schedule due to lack of funding.

6. The significant reduction in the Defra grant to BW will make the situation even worse. This will mean that the Kennet and Avon Canal and its Caen Hill Flight (one of the engineering wonders of the world) will inevitably be the subject of future closure despite £29 million having been spent on it during the lottery funded improvement works and despite the promises made by BW concerning future maintenance and improvement works that were central to obtaining the lottery funding.

Stephen Rudd
January 2007

Memorandum submitted by the Friends of the National Waterways Museum at Stoke Bruerne (BW 07)

1. WHO WE ARE AND WHAT WE DO

1.1. Stoke Bruerne is a small community (population 2,001 Census 398) in South Northamptonshire, situated some seven miles south of Northampton and 12 miles from Central Milton Keynes in the Daventry Parliamentary constituency. It is a well-known local beauty spot beside the Grand Union Canal (formerly and originally known as the Grand Junction Canal) and since 1963 has been the home of a celebrated Museum of the inland waterways. The Friends of the Canal Museum (“the Friends”) was formed as a result of concern over the future of the Museum, now known as “The National Waterways Museum at Stoke Bruerne” (“The Museum”), formerly run by British Waterways (“BW”) and now the responsibility of The Waterways Trust (“TWT”), who lease the buildings and its surroundings from BW. An initial meeting held in Stoke Bruerne Village Hall in December 2005 resulted in the formation of a Steering Committee and ultimately the adoption of a Constitution following another public meeting in March 2006. Currently the Friends are applying to the Charity Commissioners for full Charitable Status, with the full support of TWT.

The Aims and Objects of the Friends, as contained in the current Constitution, are:

(a) To support and supplement the work of the Museum.

(b) In furtherance of this Aim to assist with fundraising, development and promotion of the Museum to and for the benefit of the local community and the general public.

(c) To undertake activities of an educational nature.
(d) To assist on a voluntary basis with the running of the Museum.
(e) Any other objectives that are commensurate with the Aim of the Friends.

2. OUR RELATIONSHIP WITH BRITISH WATERWAYS

Until 1999 The Museum was both owned and run by BW. Whilst criticisms could have been, and were, made of their custodianship, it was generally felt that the Museum and its exhibits were in relatively safe hands. The transfer in that year to TWT was also generally welcomed as a step towards a more independent custodianship. Unfortunately the funding available to TWT has not been sufficient to arrest the decline in visitor numbers, nor to care properly for some of the exhibits, nor to allow for the development of a forward-looking policy for the Museum. It was for this reason that the Friends were formed. Since December 2005 the Friends have worked closely and amicably with TWT to attempt to resolve some of these difficulties, but there is a very long way to go. The introduction of free entry to the Museum, thus bringing it into line with other National Museums, would be of enormous assistance in reviving its fortunes. TWT are greatly dependent upon an annual grant from BW, and the recent cuts in BW’s grant from DEFRA will inevitably impact upon the Museum.

Following the setting up of the Friends initial steering committee in December 2005, the Friends were invited to send representatives to join a Liaison Committee which meets monthly at Stoke Bruerne to discuss and to plan ways in which the canal environment of the village can be enhanced for the benefit of both residents and visitors. This Committee involves representatives of BW, Northamptonshire County Council, South Northants Council, Stoke Bruerne Parish Council and TWT. Considerable progress has been made during the first year in which the Friends have been involved, but future plans for both the village and the Museum have been jeopardised by the recent cuts to BW’s Grant in Aid. It has to be said that all the local authorities are extremely supportive, both of the work of the Friends and of the Liaison Committee. BW has shown considerable practical support for activities of the Friends that involve the use of the Grand Union Canal, but obviously any financial input has perforce been negligible.

Finally the Friends were invited by TWT during 2006 to nominate one of the Committee to serve on the National Waterways Museums management committee, and duly appointed Mr Brian Collings, a former manager of the Museum, as its representative.

3. HOW WE SEE THE FUTURE OF BRITISH WATERWAYS AFFECTING:

The museum

3.1 BW is, despite its abdication of responsibility for the Museum, still vitally involved with both its site and its future. It is still the ground landlord and access to the building is across land owned by BW. The financial viability or otherwise of the Museum is inextricably bound up with that of BW. Furthermore the fabric of the main building, which is listed, is the responsibility of BW. It is but one of a very substantial number of historic buildings and monuments for which BW has statutory requirements for upkeep and guardianship. The Friends are gravely concerned that the impact of changes in DEFRA’s budget; recent developments in the stewardship work and commercial activities of British Waterways, including its property portfolio; and the proposed year-on-year cuts to BW’s grant-in-aid will hit BW’s ability to maintain the waterways. If the grant-in-aid does not rise at least in line with BW’s costs, or some stable alternative form of funding is not provided, then the implications, not just for Stoke Bruerne and its Museum but for the waterways system as a whole will be disastrous. It is the Friends’ view that such a course would be widely resented and will involve the Government and its agencies in a long and debilitating struggle.

The community

3.2 The value of the inland waterways to the wider community should be and can be reinforced by a healthy and financially stable relationship between the general community, BW, TWT and the Friends. There are multiple benefits, and these apply to the country as a whole as well as specifically to Stoke Bruerne, in regeneration, education, healthy outdoor exercise, community well-being, social inclusion and informal recreation. It is obviously impractical for the large numbers who benefit, both locally and nationally, to pay directly thus there is a clear justification for grant-in-aid and the undoubted excellent value-for-money that the grant-in-aid produces. At Stoke Bruerne the environment of the village and the canal are accessible to a diverse range of society. The Museum, despite its title as The National Museum, is currently only accessible to those prepared and able to pay the admission charge. There is further a knock-on effect in that associated business interests can be affected. A deterioration in BW’s ability to manage or maintain the waterways or to provide funding to TWT for the conservation and care of our waterway heritage, in the form of the three waterways museums or the historic boat fleet, will be reflected in the fortunes of the related independent businesses. The long-term effect of the current cuts imposed by DEFRA will be potential loss of income in terms of leases, rentals of premises, operational licences, together with job losses. It is the Friends’ contention that all user groups whether or not paying for the privilege of benefiting from waterways in their
broadest context, will be detrimentally affected. From a broader, national perspective, waterways which earn most from sources such as licences, water sales, drainage, flood relief, and general industrial needs, could be prioritised to the disadvantage to quality or usability of others.

3.3 Finally, in Northamptonshire the canal system has three major tunnels as well as aqueducts and embankments. These engineering structures are some two centuries old and may be seen as potential liabilities for BW on one hand, but also as attractions for tourists as well as providing venues for other users and businesses.

4. OUR RECOMMENDATIONS FOR THE FUTURE

4.1 There is considerable potential for the growth of both freight and leisure use of the waterways network. Whilst the freight aspect must, in our view, be a comparatively minor aspect of the waterways of Northamptonshire, there is still a small trickle of freight using the canal in the shape of traditional narrow boats retailing fuels, solid and liquid. This makes an attractive feature, the regular passage of loaded boats helps keep the navigable channel clear for other users, the boats concerned pay a similar licence to other non-commercial vessels, and, most importantly from the Friends point of view, present a unique example of continuity and change to the visitors to Stoke Bruerne. Few days pass when there is no freight activity going on, and this attracts people to the canalside, and thus to the Museum. Doubtless more modern image freight activities would present a similar attraction, as they do in the Denham/West Drayton section of the same canal, where freight traffic restarted during 2004. This is to ignore other benefits, such as the relief of road congestion, the reduction of emissions and noise pollution that the use of water transport can bring. Thus we would recommend the encouragement of appropriate freight usage of the local waterways.

4.2 So far as leisure usage is concerned, this is growing perceptibly. At a recent count it has been estimated that there are between 120 and 150 jobs, full and part time, in the village centre of Stoke Bruerne. There are two pubs, both with restaurants; a further restaurant; a gift shop; a waterway maintenance contractor’s business; a fuel distribution business; two tripping boats engaged in work for 12 months in the year; an open farm in addition to the Museum and all within two hundred yards of the Museum. These have all developed since 1963, with the exception of one pub, which employed five persons part and full time in 1963. The Museum is at the very heart of this, and performs a vital role. This has largely offset the decline in farming employment since 1963 as well as that of the former local industrial employers at Roade and Wolverton. As a measure of the importance of the canal to the local economy it may be mentioned that on Christmas Day 2006 there were 21 visiting boats tied up in the village centre, while on the following day an estimated 250 visitors were present on the towpath even though the weather was dull and cold. Whilst it could be argued that a certain number would still visit if the canal were closed and drained, these numbers should be compared with those visiting the adjoining village of Shuttanger, just a mile away over the same period. There the village centre was deserted on both days. Unfortunately, because of the necessarily high entrance charges, few of the Stoke Bruerne visitors enter the Museum, which has both a coffee shop and a retail side. It is the Friends’ contention that the removal of this charge would substantially increase both the visitors to the Museum and the visitors to the village, encouraging more local enterprises. Our recommendation is therefore that the grant to TWT, either from BW or from other Governmental sources, should be increased in such a way that the entrance charges to the Museum may be abolished.

4.3 All parties concerned with the Museum and the canal at Stoke Bruerne should be made aware of the long and vital role that the canal has played, and may still play, in the development and history of the United Kingdom. This is not merely of national concern and significance, but of international significance. The boots for Napoleon’s Grand Armee were taken from Northampton to France before 1812, and their journey began on the canal; the first steam ship to cross the Channel and to arrive at Paris passed through the canal in 1821, albeit in a dismantled state; the first railway locomotive to steam in the USA was exported from Stourbridge to Pennsylvania by canal in 1829; the first locomotive of the Great Western Railway was similarly delivered on site by the Grand Junction Canal in 1835; munitions for the Napoleonic wars, the American War of 1812, the Crimean War, the 1914–18 and the 1939–45 Wars all passed through the canal, as did the Bank of England’s gold reserves in 1940 en route to Canada. Additionally boatmen utilising their skills served in many overseas theatres in both World Wars ranging from the Rivers Somme to the Irrawaddy. All these are stories that should be told to a wide public and should be a matter of pride. They can be told and developed for the benefit of future generations by proper funding both for the Museum and the canal beside which it stands.

5. SUMMARY

5.1 The Friends enjoy a frank, cordial and mutually beneficial relationship with both BW and TWT. They also provide both bodies with a useful link to the community both local and national, and form a two-way channel of communication. Any deterioration of BW’s ability to deliver the benefits of waterways to that community will, it is asserted, be counter-productive. Job losses outside BW and TWT will inevitably occur. In particular the Friends are concerned that the policy of free admission to the Museums operated by TWT should not be compromised by cuts to BW’s funding.

5.2 A further risk is seen from any prioritising of funding for individual waterways.
5.3 The Friends see the use of the waterways for freight purposes in a positive light; such usage generates great interest as well as serving social needs.

5.4 The leisure usage of the waterways is seen as an aspect that is capable of considerable development. Abolition of Museum entrance charges will greatly assist this development locally.

5.5 The Friends wish to see the positive historical context of the Museum and its associated waterways given its rightful place within the heritage of the United Kingdom.

Friends of the National Waterways Museum at Stoke Bruerne

January 2007

Memorandum submitted by Dr John May (BW 08)

1. My wife's mobility, and hence our ability to enjoy anything approaching a normal holiday, is severely limited by MS and has been for years.

2. Our boat puts her on an equal footing with the mobile majority. It doesn't matter that she finds it practically impossible to get around the country, explore new places and enjoy the sights, sounds and smells of the English (or Welsh!) countryside under her own steam. When she is on the boat the countryside, and the occasional town, glide past her at a leisurely walking pace. The wildlife is also easily accessible—she wouldn't have seen kingfishers in the wild, great crested grebes doing their courtship ritual, and more herons than you can shake a stick at, in any other way.

3. Through chatting to other boat users we have found that there are a lot of people in the same situation of reduced mobility. They all agree that canals offer a unique and invaluable leisure and holiday opportunity to the increasing numbers of the population whose mobility is impaired by illness or age. There is no Blue Badge system for the waterways, so no one knows just how many people there are in this situation. But observation suggests it is a sizeable number, and a growing one.

4. British Waterways make some provision directly for disabled boaters, such as reserved boat moorings, albeit not very much. However, the scarcity of these moorings is a minor inconvenience for the most part, although we would like to have more.

5. The real threats to the usability of the canal network if you have restricted mobility are the lack of maintenance of towpaths, and the scarcity of level access from roads. Wheelchair users, and others with balance or mobility problems, need level, dry surfaces in order to get on and off their boats. Bumpy, muddy towpaths just won't do, and shale or gravel paths are not much better, as the pieces of loose stone obstruct wheels and can cause ambulant disabled people to lose their footing.

6. My wife and I, and others like us, are therefore very concerned that the cutbacks in BW budgets will mean deteriorating towpaths. Getting muddy feet might be part of the canal experience for the able bodied, who can easily cope with it, but when towpaths become inaccessible to disabled boaters so that they can’t reach their boats then a whole section of society is being discriminated against on financial grounds. In the age of the Disability Discrimination Act this simply won’t do.

7. I urge the Committee to call for government recognition—and additional funding—of the contribution that British Waterways makes to the wellbeing and happiness of disabled boaters, and other disabled people who use the canals for recreations such as walking and fishing.

Dr John May

January 2007

Memorandum submitted by the Surrey and Hampshire Canal Society (BW 09)

1. British Waterways (BW) have, in recent years, established themselves as leaders in the field of Inland Waterway Regeneration and Restoration. Many inner city areas have been transformed from derelict “No Go” areas into vibrant residential and waterside facilities, generating economic recovery and improved employment prospects. These developments contribute towards Government targets and policies.

2. Regeneration projects, completed or in progress by BW can be valued in the order of £6 billion, enabling investment and employment to follow. The resulting economic growth and waterway activity provides very good value for the investments made and Government policies such as “Unlocking the Potential” and “Waterways for Tomorrow” recognise these benefits.

3. Leisure and Healthy Lifestyle policies are facilitated by waterway regeneration, enhanced access and environmental improvements attracting increased use, exercise and economic growth. Estimates of increased visits to British Waterways are in the order of 300 million visits per annum.
4. Waterside regeneration sites owned by BW generate profits which help to improve BW’s self-funding ratio. However, the potential for future profits must be reducing as BW is now in competition with private developers when negotiating for suitable sites. It is unlikely that BW can ever become totally self-funding, because it has to be recognised that the vast majority of waterway leisure users are not charged. Walkers, cyclists, commuters, nature and wildlife enthusiasts all enjoy free access to the waterways. It is only fair that part of the taxes paid into the Exchequer by the general public is used to fund the grant aid system supporting these leisure activities. Any alternative funding being explored with BW should include also consideration of a land dowry from Government holdings.

5. The restoration and improvements of the Inland Waterway System have been pivotal in achieving sustainable regeneration, improved wildlife habitat and enhanced leisure facilities. Many miles of restored waterways have been re-opened and major restoration projects are programmed. Partnership funding is a key element in these programmes with BW a major partner. BW must be enabled to meet these new obligations to partnerships whilst maintaining the 2000 miles of waterways it already manages.

6. Restoration of a waterway is only the beginning, because the forces of nature are relentless and without proper maintenance the slide into decay again is frighteningly rapid. The Government deserves great credit for the support it has given to BW over the past decade, but the money spent will have been wasted if BW cannot afford to maintain what has been recreated. It is also far more expensive to repair a breached canal than to do the proper inspection and maintenance to prevent the breach.

7. Possible alternative funding Options for BW should be negotiated so that implementation provides a seamless changeover from the existing arrangements and without detriment to BW. The waterways system needs to remain viable, able to respond to planned works, restoration and any unforeseen contingencies.

8. Our experiences indicates that restored and re-opened waterways undergo a period of change as water is absorbed into structures and canal fabric until equilibrium between soil and water exists. Structural changes will occur and the risk potential for some failure needs to be recognised. Monitoring and Inspection regimes are essential, with early warning signs receiving attention if long-term expensive failures are to be avoided.

9. The Society is a long term partner in both restoration and post restoration improvements on the Basingstoke Canal, a non-BW waterway. As a voluntary organisation, we have received support and technical advice from British Waterways. Our post restoration projects have been ambitious, with water management a priority and we have been fortunate that BW were able to assess our design for water recycling (back pumping) projects and provide advice on materials and construction techniques.

10. A complex project involving the construction of a Pump House, dual pumps and the crossing of two roads with a pipeline was project managed by BW staff within the estimated costs—an endorsement of the skills BW can apply in support of others. A second pumping system has been completed by Society volunteers, and this was also supported by BW at the design stage and in the purchase of materials, providing practical support to the advantage of a smaller waterway.

11. It is in the national interest that British Waterways should be able to continue this valuable assistance to all waterways whether owned by them or not and funding should recognice this.

12. The Association of Inland Navigation Authorities (AINA) has been chaired by BW and EA representatives since it was formed. This organisation provides a vehicle for the independent waterways to exchange information. The organisation provides an efficient means of communication and exchange of best practice. The continued presence of both BW and EA may have to be reconsidered in the current economic climate, as recently announced early retirements in BW include the AINA Chairman.

13. The proposed reduction in the BW Grant Aid will, in our opinion,
  — significantly reduce the capacity of BW to continue with the planned Waterway Restorations;
  — significantly reduce, or even halt their Listed Historic Structures Restoration Programme;
  — reduce the potential for increasing freight carriage by water and the associated infrastructure work required;
  — reduce BW’s ability to maintain and reduce the maintenance backlog on their waterways (Planned maintenance works are already being cancelled and another round of staff redundancies has been announced.); and
  — cause emergency repairs, eg embankment failures, to be deferred. These may result in navigation closures which reduce the use of the waterway, with consequent further loss of income.

14. Our concerns that a gradual deterioration of the Inland Waterway system and structures will result in expensive, long term waterway closures due to lack of essential repairs is supported by history. During the 1980s, all but one north/south waterway route was closed to through navigation when BW was restricted financially, and years of concentrated effort were required to rectify the damage of neglect when funding was available.

15. The Basingstoke Canal links into the national waterway system, and boats wishing to visit the Basingstoke Canal travel BW and Environment Agency waterways. Restrictions on the national system could prevent boats visiting the Basingstoke and adjacent waterways, revenue will reduce and the smaller waterways will become a “casualty” of the overall financial restrictions.
16. As a long established waterway organisation, we strongly support the reinstatement of the BW and EA Grants for 2007–08 onwards. In national terms, the sums of money are not large, but the consequences of the cuts for a major part of our national heritage will be huge and could turn a considerable Government success story into a potential disaster.

Surrey and Hampshire Canal Society

January 2007

Memorandum submitted by Mr Neil Martin Arlidge (BW 10)

EXECUTIVE SUMMARY

1. The cuts announced from the DEFRA budget are already striking BW directly at its core activity, that is the provision and maintenance of a vibrant and fully functioning waterways system. Examples are given of preventative maintenance already at risk.

2. Currently, the only public users that pay directly for the waterways are boaters and fishermen. Evidence is provided that these categories only make up approximately 5% of all visits. Other mechanisms need to be found to fully fund the waterways in an equitable way that is proportional to category of visitor.

3. It is proposed that a precept to the Council tax is applied locally to areas which have navigable waterways running through or nearby, similar to the precept already applied to London Borough residents in respect of the Lee Valley Regional Park.

4. BW does not sit comfortably in DEFRA, as it does not share common remit with many of the other agencies within DEFRA. An alternative department should be found to hold the BW portfolio. It is proposed that BW would be best placed in either the Department of Culture, Media and Sport or the Department of Communities and Local Government to maximise the potential for funding, leisure and social cohesion.

PREVENTATIVE MAINTENANCE AT RISK

5. Over the last couple of years BW has benefited from an increase in grant to help fund the backlog of maintenance and safety related maintenance. It is easy to see what could happen to BW’s infrastructure if preventative maintenance is not adequately funded. Taking Railtrack as a example, here a privatised national industry was driven by the interests of its shareholders to generate profit at the expense of preventative maintenance. Network Rail is now having to rectify this situation, with resulting costs far out weighing those had Railtrack funded preventative maintenance. It would be very short-sighted if this were to happen to BW.

6. BW has recently completed an engineering survey of all its structures. Many of these are over 200 years old and have got to the stage that they need an increasing amount of maintenance to secure their viability into the future.

7. There are already examples of structures that have recently proved to be at risk, ie the deforming invert of the Netherton Tunnel, the towpaths through the tunnel have recently been closed to pedestrians.

8. Other preventative maintenance planned for the stoppage period over winter 2006 that have already been cut from the programme include:

Ashby Canal

Piling works to the Shenton Embankment (£540,000) have been deferred.

Birmingham Canal Navigations

Repairs to Tividale Aqueduct (£130,000) on Old Main Line have been deferred.

Birmingham & Fazeley Canal

The refurbishment of Aston Locks 9 & 11 (£260,000) has been deferred.

Grand Union Canal

The refurbishment of the footbridge 177a, (£170,000) in the Harefield area has been deferred to 2007–08.
Repairs to stop gates in the London area (£280,000) have been deferred and requirements are being reviewed.

An in-depth investigation into the integrity of Denham Culvert (£170,000) has been deferred.

Repairs to two culverts in the Milton Keynes area (£180,000) have been deferred.

Works are still proceeding on repairs to Rowington Embankment (£250,000), but to a lesser extent than planned.

**Kennet & Avon Canal**

The scale of works to refurbish Burghfield Lock (£160,000) has been reduced.

**Leeds & Liverpool Canal**

The rebuilding a collapsed section of Coates Lane Retaining Wall (£200,000) has been deferred to 2007–08 with a revised, cheaper solution to follow.

Stemming of leakage through Roddlesworth Embankment (£300,000) and raising the height of the wash wall have both been deferred.

Refurbishment of Calverley Wood Embankment (£485,000) has been deferred—a reduced scheme is planned for 2007–08.

**Peak Forest Canal**

The scale of rebuilding of a section of towpath wall at Cloughside Farm (£75,000) has been reduced.

**Ribble Link**

Works to cure a stability problem concerning a by-wash (£460,000) have been reduced to only a temporary fix.

**Rochdale Canal**

The installation of a bridge and associated approach road at Trub Farm (£590,000) will still take place; however it will be funded with alternative money.

**River Severn**

Dredging the Upper Partings to Haw Bridge (£150,000) has been deferred.

**River Trent**

Construction of Long Horse Bridge in the Shardlow area (£550,000) has been deferred to next year. This was to replace an early concrete bridge that was demolished a few years ago when it became unsafe.

**Weaver Navigation**

Refurbishment of the collapsed bullnose of Vale Royal Lock (£590,000) has been deferred.

9. The deferral of these puts the entire future of the infrastructure at risk.

10. BW therefore needs an increase in grant, not a decrease, to ensure that these structures viability continue into the future.

**Equitable Funding for All Users**

11. Currently, the only public users that pay directly for the waterways are boaters and fishermen.

12. In 2005–06 BW carried out an annual survey of “visits” to the waterways over the period:

<table>
<thead>
<tr>
<th>Category</th>
<th>Visits</th>
</tr>
</thead>
<tbody>
<tr>
<td>Visits to a specific attraction</td>
<td>6.5 million</td>
</tr>
<tr>
<td>Visits from anglers</td>
<td>4.8 million</td>
</tr>
<tr>
<td>Visits to use a boat with an engine</td>
<td>7.3 million</td>
</tr>
<tr>
<td>Visits to use a boat without an engine</td>
<td>1.6 million</td>
</tr>
<tr>
<td>Visits to walk, ramble, run for leisure</td>
<td>116.1 million</td>
</tr>
<tr>
<td>Visits to walk dogs</td>
<td>90.0 million</td>
</tr>
<tr>
<td>Visits to get somewhere else</td>
<td>41.3 million</td>
</tr>
</tbody>
</table>
Visits from cyclists 24.7 million
Visits for other purpose 4.9 million
Total Visits 297.2 million

13. With a DEFRA grant of £62.5 million in 2005–06, this works out to a government contribution of just over 20p per visit—without taking into account all the other benefits of the inland waterways such as their drainage function, which is otherwise unpaid for.

14. The owners of the 29,000 registered boats paid a total of £16 million (licensing £11.4 million, moorings £4.6 million), which is 13.5% of the direct cost to the government of running BW, this relates to 8.9 million visits and therefore works out at £1.79 per visit, with only 20p of this visit being subsidised by the government.

15. Boaters are under a lot of financial pressure at the moment, due to well above inflation increases in mooring costs and the probable large rise in diesel costs, due to the EU Red Diesel derogation recently being lost.

16. It is not equitable for boaters to pay more than an inflationary increase for their BW licence.

17. Other mechanisms need to be found to fully fund the waterways in proportion to categories of visits.

ALTERNATIVE FUNDING MECHANISM FOR BW

18. So if the government is unable to adequately fund BW directly, what other mechanisms can be found to fund BW?

19. Clearly the general public get very good value out of BW at present. One way that boroughs/waterside developments/local people could help fund BW is through a precept on the local and business rates. Such an idea is not new. London Borough Council taxpayers currently pay a supplement to the Lee Valley Regional Park. It is believed there would be public support for such precepts to fund the BW navigations that run through or near local council areas on a nationwide basis.

SUGGESTED DEPARTMENTS TO OVERSEE BW

20. British Waterways did well under the Department of the Environment, Transport and Regions.

21. When this department was split up BW found itself in DEFRA, along with the remains of MAFF. BW does not sit well in DEFRA, since the minister in charge has a conflict of interests as he is responsible for the Environment Agency, which can often be seen to work against BW concerning water abstraction.

22. Other departments created at the time of the demise of DETR are better placed to hold the BW portfolio, these include:

Department of Culture, Media and Sport:

23. With DCMS managing the National Lottery, English Partnerships, English Heritage, historic buildings, ancient monuments and World Heritage sites they would be well placed to take BW, with its world class historic waterway system, on board. Also the main functions of BW come within the Tourism and Leisure mandates of DCMS.

24. DCMS would be better placed to promote BW’s navigations and increase their leisure and tourism potential.

Department of Communities and Local Government

25. BW navigations could have an even larger role to play within the local communities that their waterways pass through than at present. If any form of local taxation for BW were proposed, then this department would be well placed to oversee BW. Other agencies present in DCLG include the Planning Inspectorate, already much Section 106 money comes to fund waterway corridor improvements, this could be further expanded to assist BW funding.

26. This department also covers the regeneration aspect that BW has proved so good at exploiting/catalysing in the past few years. English Partnerships is one of their agencies. With BW coming under their control, failing inner city and rural economies could also be strengthened, using the waterways that run through these areas as a catalyst to regeneration with close cooperation of other agencies in this department. BW could assist community cohesion, by enhancing the linear park aspect of waterways in these communities.
27. Another good reason for BW being able to develop in this department would mean that it would be seen that ALL navigations should come under their control. This department is best placed to promote social inclusion and ensure that the waterways are accessible to a diverse range of people in society.

Mr Neil Martin Arlidge
January 2007

Memorandum submitted by The Horseboating Society (BW 12)

EXECUTIVE SUMMARY

The Horseboating Society (HBS) requests central government to reinstate and maintain full and ongoing funding of the inland waterways, especially in relation to the work of British Waterways. We are aware of the enormous improvements that have been brought about over the last decade due to the increased funding made available from the government. We wish these better standards on the waterways to be maintained and built upon to continue to benefit all members of the community.

We note in “Waterways for Tomorrow”, Defra, June 2000 (ch 3, para 3.3, 3.5, 3.6) the reference to IWAAC’s report and we support those findings in “Britain’s Inland Waterways: An Undervalued Asset”, IWAAC 1996. We agree with IWAAC that the waterways were the “Cinderella among our heritage and conservation assets” and the “system is not a museum but a useable asset and its heritage a living one”. The waterways are now well promoted by BW and user numbers have increased dramatically but this process continues to need to be supported to gain maximum potential. We note the government’s positive response (ch 3, para 3.8, 3.16).

BACKGROUND TO THE HORSEBOATING SOCIETY (HBS)

1. The Horseboating Society was founded in 2001 with the primary aim of preserving and promoting horseboating on Britain’s inland waterways.

2. The 200-year old canal system we have today was designed and built for the horse-drawn age.

3. This organic, horse—era design is what gives the waterways their unique human scale recognised in the Defra document “Waterways for Tomorrow”, published June 2000 (WfT, chapter 6, paragraph 6.19).

4. Cargo traffic on Britain’s rivers and canals was primarily horse-drawn from earliest times until the 1920s, continuing until the 1960s. Passenger boats operated until superseded by rail and improved road transport.

5. Horseboating then found a continuing role in leisure and tourism and the interpretation of the heritage of the waterways. There are a small number of passenger trip-boat operations on the navigations of British Waterways (BW) and other authorities (National Trust, and Devon County Council).

6. These 12 passenger boats were at a peak of operation in 1980s but their numbers declined by 2005 to only five, of which three were on BW waters. This is in contrast to the increase in use of horse drawn vehicles on roads and tracks. These horse drawn trip boats provide many thousands of passengers each year with an introduction to cruising on the waterways, with also the unique opportunity of experiencing the horse drawn heritage of the canals.

7. Early in 2005 in consultation with HBS, BW issued an Operating Instruction to its managers to assist the passage of both horse drawn commercial trip boats and those horseboats involved with heritage and educational work along the system.

8. However such operations are very vulnerable to increased charges (eg for mooring and licences or increased staffing levels) as they have inherent high labour overheads to attend to the welfare of the boathorse(s) both while it is working, during its non-working periods and after the end of its working life.

9. The Horseboating Society is keeping alive the horse drawn use of the national waterway network by making short and long distance journeys with historic horseboats. The HBS is currently in receipt of a Heritage Lottery Fund grant and is half way through a 3 year programme of events recreating the story of the horsedrawn waterway era. The culmination of the project is to journey with Britain’s oldest wooden narrow boat, built in 1854, to attend the World Canals Conference being held in England at Liverpool in 2007. British Waterways has been fully supportive of these efforts.

10. All members of the community can join The Horseboating Society for a modest subscription (£10 per annum in 2007). It is one of the waterway organisations which enable anyone to go boating without the need to own or hire a boat. At present we represent about 1,000 with many more supporters.
HBS RELATIONSHIP WITH BW

11. Soon after our formation BW invited the HBS to be represented at national level on user group meetings and to participate in the British Waterways Advisory Forum. We are represented at national meetings almost monthly. We feel that we are making some progress (albeit slowly) in educating BW staff about the importance and needs of horseboating.

12. One problem encountered is that knowledge about hordrawn operation and the associated detailed infrastructure has been almost lost since the 1950s. To attempt to rectify this, the HBS have published a guidance document on retaining horseboating heritage features. This was formally accepted by BW’s chief executive in 2005 and has since been developed further in consultation with senior BW staff.

13. We have been encouraged by the recent appointment of heritage advisors in each of BW’s management units. We hope BW will be able to give increased focus and care of the built and living heritage of the waterways.

14. Despite our involvement and the acceptance of our advice at the highest levels we are concerned that the tension between BW’s roles as a self-sufficient quasi-commercial organisation and the custodian of a potential world standard heritage asset can lead to our advice being ignored on the ground. We find this is because of commercialism, income generation and pressure to maintain the waterways at the lowest possible cost, as well as a constant drive to modernise the system.

15. The pressures for income generating activity by BW have already contributed to the failure of two horse drawn trip boat operations (Foxton Boat Services and Calder Valley Cruising) because of the boat moorings created on their long established plying (cruising) routes. This is also causing difficulty to some of the remaining horseboating operators, who are finding that increasing pleasure-boat numbers and mooring facilities cause serious operating difficulties requiring extra staff. This led to The Horseboating Society making and Official Complaint to BW in late 2005 in order both look at the case of Calder Valley Cruising and to prevent such an occurrence again. Currently a director of BW meets with us to discuss the prospects of “increasing awareness, understanding and appreciation” of these horse drawn passenger trip-boats.

16. We note in WfT, ch 3, paras 3.17 and 3.18 that conflicts are recognised but the expectation is for them to be overcome by the management processes of BW.

17. We are pleased to note that the Montgomery Canal Partnership “will actively encourage and support optimum boat designs . . . with a presumption in favour of horse-drawn trip boats” due to their environmentally friendly nature. (Montgomery Canal: Regeneration through Sustainable Restoration—Summary Document September 2005, p 9).

18. We would like to see more BW support given to horseboating operations where problems or conflicts arise on the network in line with WIT ch 8, para 6.60.

BW FINANCES

19. Most users of the waterways are casual leisure visitors—such as walkers, joggers, cyclists and those visitors enjoying heritage, wildlife, or waterside pubs and restaurants. 165 million visits per year were cited in “Waterways for Tomorrow” in 2000, (WfT, ch 6, para 6.2) but numbers are believed to have almost doubled now. These visitors are the chief beneficiaries of our society’s educational activities, whether they meet us along the waterway corridor or at waterway events.

20. There is no direct income to BW from these visitors beyond grant-in-aid from central government, and the open nature of the waterway system makes it impossible to control or charge for access, except for a few sites and where BW controls car parking.

21. In common with many other organisations we are concerned that the effects of the reduction in this grant will be:

- increased charges to the minority captive audience of boat users and anglers;
- a particular risk to the types of historic boat which are more expensive to maintain or operate, such as horseboats;
- increased pressure to redevelop rather than conserve the waterways;
- pressure to maintain and restore on the cheap leading to poor design, and subsequent loss of the heritage and horse drawn feel of waterways;
- postponement of major and minor repairs and routine maintenance, causing long closures of some waterways on safety grounds This can be the towing path alone and/or the water channel. Consequently there is a loss of amenity to all the many varied types of users of the waterways; and
- a loss of confidence in the waterways by commercial developers seeking to regenerate canal side land and property.
BW Property Development/Stewardship

22. Our evidence concentrates on BW’s stewardship of historic assets at detail level.

23. The Defra document cites original features indicating individual company variations as an attraction. Substantial amounts of this variation have already been lost over the past 50 years, as economies have led to standardisation, such as of lock-gates and paddle-gear.

24. Our HBS guidance document describes the function and use of heritage items of canal “furniture”. While not needed by the majority of pleasure-boaters, they are still needed by those using horsedrawn and other historic craft and they contribute to the heritage ambience and tell the story of the waterways.

25. The Historic Narrow Boat Owners Club (hNBOC) has also published a document, “Our Disappearing Heritage”, that describes losses of heritage features.

26. HBS would like to see proper funding and the strengthening of BW’s role as stewards of unique living history that is available for use in modern and old ways.

Potential for Growth

27. Boats moored to the towing path are one of the major problems for horseboating nowadays. The boats with their chimneys, TV aerials, and other items on the roofs obstruct towlines of horseboats.

28. We are pleased to see BW encouraging the development of off-line marinas, which may eventually reduce this problem. Their attendance at the Dairy Show at Stoneleigh 2006 was an example of BW reaching farmers with the view of attracting them to consider setting up marinas on waterside farmland.

29. The number of boats being built now far exceeds current marina capacity. The projected increase in the number of boats will also in the medium term overwhelm the projected marina capacity. Long linear moorings along the waterway corridor have increased greatly in recent years.

30. We are concerned that BW’s increasing reliance on income from users is leading them to pursue income from licences and mooring fees by encouraging unsustainable growth in boat numbers and tolerating moorings to the towing path. This has already led to loss of amenity and destruction of atmosphere on some parts of the waterways, like the Trent and Mersey or the southern section of the Oxford Canal. Long linear moorings to the towpath are a major problem to horse drawn boats on journeys as our towline must be disconnected or lifted with difficulty on poles over moored boats.

31. HBS believes there is potential for more visitors to the waterway system to enjoy the unique experience of the horse drawn passenger boats, offering an hour trip or two day cruise. It is essential for these home and overseas visitors to have confidence in a well-maintained waterway system they wish to sample and enjoy.

BW Relationship with Other Areas

32. Our evidence concentrates on BW’s relationships with Local Authorities.

33. Local Authorities do much work around the waterways such as the installation of lighting in urban areas, signage and motorcycle barriers and resurfacing of towing paths. They are rightly expressing pride in their local waterway environment.

34. However the danger is that financial and other pressures mean that BW is allowing these Local Authorities to carry out works without due regard to or understanding of the needs of waterway users and without adequate controls to preserve heritage.

35. Such examples include the use of tarmac on towing paths which may be suitable for cyclists, but is not for long distance walkers, or horses which may slip and fall. Installation of street lamp-posts and signposts creates a barrier to towing lines when put at the water’s edge instead of to the back of the towing path. This is found in Stalybridge town centre on the Huddersfield Narrow Canal. The route over Hyde Bank Tunnel on the Lower Peak Forest Canal has been spoilt and made very difficult for a boathorse by the introduction of steps and chicanes. Had the Local Authority been made aware by BW of the ongoing use of waterways by boathorses, a different style of barrier to motorbikes could have been created.

36. It is worth paying particular attention to motorcycle barriers. Both BW and Local Authorities have installed these across towing paths in an attempt to prevent abuse of the towing path by motorcyclists. They have the unfortunate side effect of preventing access to legitimate users such as boathorses and wheelchair users and those with baby buggies. HBS was involved in a 2005 consultation between BW and users. We applaud BW’s audit of these motorcycle barriers during the winter of 2006–07. We hope very much that many of these barriers will be removed or replaced with others of designs that will not adversely affect the passage of boathorses and other legitimate users.
37. In December 2005 a pedestrian access point to the towing path was redesigned at Hanover Street North, Audenshaw, Manchester. This was a joint project between BW and the Local Authority and Groundwork. A steep flight of steps was put in, making boathorse use impossible even though we have used this location for access from 1978 to 2005 to reach the horseboat Maria, the flagship of The Horseboating Society.

38. One effect of the Defra cuts to BW in 2006 has been that BW NW Waterways has run out of its budget to be able to put in a ramp for us now at this location. We are bitterly disappointed by this.

CONCLUSIONS

39. BW has made and unfortunately continues to make mistakes in our opinion. However, we believe that most of the present management are working hard to promote waterways for very many varied types of users, and to listen to customer opinions. We hope BW will further recognise the heritage value of their assets. We believe that these opinions are shared by many other waterway user organisations.

40. We would like to see BW’s mission more geared to preservation and conservation of the heritage assets—similar to English Heritage—than to modernisation and exploitation of this unique asset. The canal heritage is unique in its vernacular built structures, and it is freely available and within easy reach of the great majority of the population.

41. Their funding model needs to recognise and support this. Funding should be in proportion to users. The vast majority of users are funded at present through grant in aid because of their inherent free access to the system.

42. Cuts to BW’s grant-in-aid are already having unfortunate effects such as the cancellation of the 2006–07 winter dredging of some canals like the Lower Peak Forest Canal. This will now allow silting up to continue and could lead to blockages.

43. Unlike the road system, if a waterway is closed for a period because it has become impassable or unsafe, there is rarely an easy alternative route. Diversions can add several days to a boating journey. The adequately funded maintenance of the waterways is essential if we are to keep the network open and vibrant.

44. The towing paths have been subject to a BW “Veg Pledge, from the hedge to the water’s edge” since the winter of 2004–05 which ensures that paths will be cut as a minimum at least once a year. This had become essential as vegetation cutting had been reduced and subsequent tall soft vegetation and trees were covering the paths. With so much increased use by walkers, runners, cyclists, and anglers as well as boaters the towing paths need to be kept clear to allow all to enjoy and share the towing paths. Cuts in BW funding would see a back-slide in the much welcomed Veg Pledge which is essential as it sets a minimum standard.

45. The cutting of towing path vegetation to the standards that would have been expected when the corridor was a working horsedrawn system especially helps horseboating as the removal of trees at the water’s edge stops trees from fouling the towline.

46. The Horseboating Society wishes Central Government to continue to support BW’s role as steward of the heritage asset, both with the fine words in “Waterways for Tomorrow” and with sustained funding to support the use of waterways by the wider public.

47. Grant-in-aid needs to at least stay in line with BW’s rising costs in order to maintain the waterways to their much improved standard in recent years. We do not wish to see a return to the crumbling towing paths and silted up and closed waterways of a few decades ago.

48. We feel that the current management of BW have shown more interest and encouragement for horseboating than any other in the decades between 1950–2000.

The Horseboating Society

January 2007
Memorandum submitted by the National Association of Boat Owners (NABO) (BW 14)

1. NABO

(i) NABO is the “consumer group” for private owners and owner/operators of all types of vessels on Britain’s inland waterways.

2. WATERWAYS FOR TOMORROW?

(i) British Waterways is in a cleft stick. On one hand it must must herald its own achievements, but on the other hand it must admit its vulnerability to the whims of Government sponsorship. DEFRA claims that Grant-in-Aid cuts will not reverse the progress being made to improve our waterways. As an instrument of DEFRA, BW is not in a position to challenge this in public. The waterways community can, and the National Association of Boat Owners represents a part of that community with the most to lose, as explained later.

(ii) With the insecure resources it has, BW is making a valiant effort to ensure there will be Waterways for Tomorrow and promoting the aspirations of the document of that name.

Since October 2006 there have been 135 notifications from the Waterscape website informing users of changes to the stoppage schedules as the navigation authorities strive to maintain the nation’s heritage. Most of these postings come from BW and reflect its attempts to adapt to reduced and unpredictable funding.

(iii) The maxim: “A STITCH IN TIME SAVES NINE” is very pertinent, bearing in mind the age of the infrastructure and the unprecedented use it is getting. Some stitches to be dropped this winter due to funding cuts include:

- Ashby Canal: Piling works to the Shenton Embankment.
- Birmingham Canal Navigations: Tividale Aqueduct repairs; work probably needed to prevent closure of the Netherton Tunnel.
- Birmingham & Fazeley Canal: Aston Locks 9 and 11 repairs.
- Grand Union Canal: Footbridge 177a; stop gates in the London area; Rowington Embankment.
- Kennet & Avon Canal: Burghfield Lock repairs.
- Leeds & Liverpool Canal: Coates Lane retaining wall; leakage through Roddlesworth Embankment; Calverley Wood embankment repairs.
- Peak Forest Canal: A section of towpath wall at Cloughside Farm.
- Ribble Link: By-wash repairs.
- Severn: Upper Partings dredging.
- Weaver Navigation: Vale Royal Lock repairs.
- General dredging work (there is also scope here for Government to reduce the financial burden of silt disposal).

(iv) We believe:

- DEFRA cannot categorically predict the effects that a funding reduction will have on the infrastructure.
- With only a handful of staff responsible for many kilometres of waterway, BW’s position isn’t ideal either.
- Waterway users can.

(v) We know better than anybody how fragile the network is—we have more people out there per day per kilometre than BW and certainly DEFRA. BW is well aware of the potential of this. As an example of this, NABO is working with BW and other navigation authorities on an internet based fault reporting forum, however, due to office staff shortages, BW is unable to take proper advantage of this initiative. This is just one example of where forced “economies” are short sighted and not cost effective in the long run.

3. CURRENT USERS OF THE WATERWAY NETWORK AND THEIR RELATIONSHIPS WITH BRITISH WATERWAYS

The relationship between BW and its network’s current users is very varied over both time and involvement.
(i) Pedestrians

In terms of BW’s figures for the number of visits by various categories of user, the pedestrian visitor tops the list with about 260 million visits per year, gaining benefit from a combination of heritage, scenic beauty enhanced by water, boats and boating activity, the slow and relaxed pace of life and, in 90 million of those cases, somewhere safe to walk the dog. For these privileges no direct payment is made, recompense to BW is by way of the public purse.

Representation of their interests in the BW consultation process is weak. Officially the Inland Waterways Association champions their cause, along with the Rambling Association and the Towpath Action Group, but percentage-wise, very few casual visitors are members of such organisations. Their views are usually sought through market surveys.

(ii) Riders

Cyclists (25 million) and a few horse riders also make use of certain BW towpaths for no charge. Such use is promoted by SUSTRANS and the British Horse Society and towpath improvements to suit these users is sometimes funded by third parties and local authorities, however, if current government policies are to promote low pollution transport and outdoor exercise, it should commit sustained national public spending to make the towpaths suitable for this mixed usage.

(iii) Anglers

Coarse fishing is said to be the largest participant sport in this country. Waterways have served anglers since they were built but increasing competition from other waterway users is driving them to quieter waters. Their payment to BW and representation is mainly through angling clubs.

(iv) Navigators

The waterways were built for navigation and boaters are the most enthusiastic group of users, or more accurately, customers. The number of licensed craft is close to 30,000. Private boat owners make up the lion’s share of BW’s individual paying customers and pay BW anywhere from £300 to over £5,000 per annum each through craft licence and mooring fees providing about 13% of BW’s total income. However boaters, including hirers, only account for only 3% of visits to the waterways. Boaters also contribute a lot indirectly through the trade, eg via marina connection fees.

On the other hand, as a rough estimate, the collective capital value of privately owned boats on BW waters is probably twice that of BW’s entire property portfolio and should be considered as a vital ingredient to the quality of experience for all waterway users. Few of the owners of these boats are from the rich classes—those would be more likely to boat abroad. Many private owners are retired on pensions, a fair number have created the value by fitting out boats for themselves, and some have even sold their houses to buy boats to live on. The value of this combined investment, both in terms of money and usefulness, is at the mercy of the general state of the waterways, which may explain why boaters are so passionate about any threat to the network’s well-being.

There are over a dozen boating interest groups in regular dialogue with BW and, compared with other user categories, the membership proportions are high.

(v) BW/Customer relationships

British Waterways has made a lot of effort over the past few years to answer criticism of its openness and accountability. Since the threat to its GiA, it appears that this progress is one of the first casualties of its office staff cut-backs.

4. The Financial Framework of British Waterways and the Impact of Changes in Defra’s Budget

(i) BW cannot sustain itself on navigation user funding alone. Any attempt to increase charging by rates much in excess of the accepted indexes to offset the DEFRA cuts would have an adverse effect on the market and may even be counter productive, especially when boating costs are already set to rise dramatically due to the fuel duty changes. Alternative income streams are essential to BW.

(ii) It is right and proper for the public purse to be used to maintain the waterways as part of the nation’s heritage, especially as the majority of those who benefit do not pay directly. Politically decided Grant-in-Aid is now being proved not to be stable enough for BW to use efficiently. The level of funding should either be set according to costs, based on the value of the nation’s assets in the custody of BW and their repairs and renewals, or by a contract whereby BW charges the public purse for the benefits that its waterways provide for the nation, or both. Funds to preserve the nation’s heritage should not be vulnerable to political vagaries.
(iii) It might help BW to plan its budgets if central government gave BW access to contingency funds when faced with the catastrophic failures and unpredictable expenses that are inevitable when maintaining a valuable part of Britain’s heritage and a key tourism asset.

5. RECENT DEVELOPMENTS IN THE STEWARDSHIP WORK AND COMMERCIAL ACTIVITIES OF BRITISH WATERWAYS, INCLUDING ITS PROPERTY PORTFOLIO

(i) A third but more risky income stream can be generated through property. BW already gains funds this way and was aiming to rely on this to substitute for GiA by 2012. Progress towards this goal has been hampered the reduction in third party confidence resulting from the recent grant cuts. On the other hand it could be accelerated by endowing BW with a bigger portfolio.

(ii) However our organisation feels BW’s commercial activities (including regeneration, development, leases of existing property and sacrificing water space for “business barges”) should be pursued in a more open and measured way, ensuring that individual schemes demonstrate tangible benefits to the core purpose of the waterway. There should be an active and open process (from the outset, not after the event!) of testing of whether expected outcomes satisfy the local and wider community of waterway users. A NABO representative is involved with BW’s property development plans in Leeds and this sort of involvement should be extended to all parts of the country.

(iii) Where existing facilities (especially moorings of all types and other boating facilities, from a water-point through to wharves and boatyards) have to be lost to redevelop a given site, there should be a duty on BW to replace them with equivalent facilities or better. If such issues are merely subservient to the financial bottom line, then BW simply becomes just another propertyspeculator.

(iv) Our organisation is prepared to endorse property income as a partial solution to fund raising, provided BW’s core activity, maintaining the waterway system, is not prejudiced by the extra business resources required to make money through property.

6. POTENTIAL FOR GROWTH IN LEISURE AND FREIGHT USE OF THE WATERWAYS NETWORK

(i) There is potential growth in both uses of the network, although there are capacity limits on parts of the system in peak periods. The supply of moorings is not keeping up with the supply of new boats and BW was just a bit late in seeing it as its problem. The boat hire industry is fragile at present but, if environmental taxes increase the prices of air travel, then the waterways need to be prepared for extra demand. The Government needs to ensure they are funded to supply this need for the citizens of this country.

(ii) The Government also needs to keep in mind the environmental advantages of water freight on the waterways designed for modern shipping and continue to invest in expand it.

7. RELATIONSHIPS BETWEEN BRITISH WATERWAYS AND CENTRAL GOVERNMENT DEPARTMENTS, REGIONAL DEVELOPMENT AGENCIES AND LOCAL AUTHORITIES

(i) One might well ask why BW is sponsored by DEFRA when it has perhaps closer links with the activities of other departments. The wording of this very sub-topic almost implies sponsorship by the DCLG instead, as the waterways are of great benefit to regeneration, planning and regional development. However one could also see motives for a return to the Transport department or involvement with leisure and tourism or a cross-department sponsorship.

(ii) If a change in Government leadership results in a re-allocation of remits amongst government departments, it would seem a heaven-sent opportunity to address this issue.

(iii) The waterways qualify as one of DEFRA’s few success stories. If the Department wants to keep it that way then it needs to nurture them, and take into account the fact that they are cherished by the voting as well as the boating public.

8. SUMMARY

(a) “A Stitch in time saves nine”. The government’s investment in the nation’s waterway heritage (over £450 million since 2000) should be protected with adequate and predictable funding for maintenance.

(b) Over 90% of the 300 million visits to the waterways are made by people who only pay by way of the public purse. Boaters, who only account for 3% of visits, feel that contributing 13% to the coffers (as well as paying through taxes and the trade) is quite enough. We challenge the Committee to compare public spending per visit to the waterways with corresponding figures for other amenities.

(c) Boats, the “rolling stock” of the waterways “train set”, account for over 60% of its total capital value and contribute greatly to its attraction. This collective investment by ordinary people is at the mercy of the condition of the “track”.

(d) Property speculation and regeneration should be subservient in all respects to maintaining a functional waterway network and the needs of BW’s paying customers.
(e) There is room for expansion in use of waterways to provide low carbon-footprint, healthy recreation in Britain as an alternative to flying abroad and also to provide environmentally sound transport of freight and passengers.

(f) The waterways network is DEFRA’s golden egg. If they want to keep the goose that laid it, they should ensure it stays alive.

The National Association of Boat Owners (NABO)

January 2007

Supplementary memorandum submitted by the National Association of Boat Owners (NABO) (BW 14a)

1. Boat Safety Scheme (BSS)

NABO has representatives on both the BSS Advisory and BSS Technical Committees who have both contributed greatly to the evolution of the Scheme. For this reason we feel we can speak with some authority on the effects that withdrawal of navigation authority funding seems to be having on the BSS, and its relevance to “Current users of the waterway network and their relationships with British Waterways”.

Primarily the BSS was set up through the navigation authorities’ duty of care to minimise the risks to third parties through fire, explosion and pollution. It was also, with our encouragement, trying to promote education in boat safety, as there seemed to be little statistical evidence that an inspection on one day in every four years had any measurable effect on the risk factors the scheme was intended to reduce.

In 2006, the BSS said it was aiming to be self-financing by around 2011, but now funding has been suddenly withdrawn from both the EA and BW. As a consequence of this and the adoption of the scheme by the Broads Authority causing extra workload, it appears that its good intentions are under threat and the scheme is in danger of reverting to only fulfilling its obligations to the navigation authorities yet being financed only by boaters. It may even have to economise on its support committees whose input has been invaluable to its evolution.

Even with these savings, the BSS has still to find extra funding. The BSS charges boat owners indirectly through selling certificate blanks to those who inspect the boats. These examiners and surveyors are not in the direct employment of the scheme: their inspections of boats are run as independent businesses and the certificate costs are passed on in their charges. From 1 April 2007 the BSS intends to raise the charge for each certificate by over 110% from £13.22 including VAT to £28.20 at trade price. Examiners say the outlay required to buy pads of 30 certificates at the new price in advance may, with mark-up, mean charging their customers up to £50 extra on an examination that costs now between £80 and £140.

NABO’s concern is that boaters will refuse to finance a scheme which seems only to benefit the navigation authorities’ protection against litigation, as they are not convinced that the scheme significantly reduces the risk of boat fires or that the benefits of the scheme have much respect from boat insurers. Other users could argue that BW is being forced by GiA cuts to skimp on its duty of care to its customers.

NABO is keen to explore alternative measures to promote boat safety and would ask the Committee to consider including a recommendation in its report to set up a Government sponsored INLAND waterways safety executive which can draw on the considerable experience of inland navigation users as well as professionals. We would recommend the body be independent of the MCA, either standing alone or maybe under IWAC or AINA, with a remit to promote operational as well as construction safety education on boats in addition to applying minimum mandatory construction standards as required by UK and EU regulations.

2. Single Navigation Authority

NABO has read the “uncorrected oral evidence” given by the Inland Waterways Association and wishes to point out to the Committee that not all users, even boaters, are in agreement that there should be one navigation authority based on British Waterways.

In fact amongst our Council there is a body of opinion that the transfers of navigation responsibilities in the reverse direction might be desirable, namely that major rivers like the Trent below Nottingham and the River Severn should be transferred to the EA navigation department where they can be better integrated with flood control and general river management.

NABO is in support of a unified boat licensing system but does not believe it is necessary to merge the navigation authorities to achieve that.
3. **Reduced Standedge Tunnel Transits**

This is further evidence of potential cuts in the services offered by BW that have come to light since the closing date for main submissions.

The cost of passages through the Standedge Tunnel, the Anderton Lift and the Ribble Link is borne by all BW craft licence holders through an agreed 2% surcharge on annual licences. When that agreement was made there were five tow convoys each week through the tunnel.

Last year it was down to three and BW Yorkshire propose to further reduce it to two a week. Not only will this act as a further restriction on the freedom of boaters, but it will act as another deterrent to what is now a “Seen it, done it, got the T-shirt but won’t do it again” canal and further devalues the benefits promised to the local community from the Huddersfield Narrow Canal restoration.

Talks are being held with local interested parties but NABO is concerned on behalf of its many members to whom the route is as an exceptionally scenic alternative link between the Midlands and the Yorkshire waterways avoiding the tidal River Trent. We are also concerned about damage to boats through having too many boats in each “train”.

The National Association of Boat Owners (NABO)

*March 2007*

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**Memorandum submitted by Shire Cruisers (BW 15)**

1. **Executive Summary**

1.1 We welcome:

1.1.1 Many aspects of the recent reorganisations.

1.1.2 Reduction of administrative costs.

1.1.3 The appointment of Customer Operations Managers, responsible for reducing breakdowns.

1.1.4 BW’s partnership approach to the successful development of Sowerby Bridge Wharf, as a model for other sites.

1.1.5 BW’s new Marina Policy.

1.2 We note that:

1.2.1 The Framework Directive’s requirement to maintain according to “use and prospects of use” provides little security for users.

1.2.2 Reliability of the track has been getting worse, which will accelerate following this winter’s stoppage cuts.

1.3 We recommend:

1.3.1 Improved leadership and decision-making by middle management.

1.3.2 An intensified drive for operational efficiency.

1.3.3 Publication of synopses of Business Plans.

1.3.4 Consultation on targets for management bonuses.

1.3.5 Bonuses for achieving service levels for the track.

1.3.6 More detailed maintenance standards in a new Framework Document.

1.3.7 A contract with government for the provision of services to the non-paying public, including land drainage.

1.3.8 The development of S106 Agreements to fund improvement and maintenance.

1.3.9 More public-private partnerships to get best value from the estate, with safeguards for navigation and conservation.

1.3.10 Greater reliability of the track, to reduce customer disappointment.

1.3.11 Support for the partnership between BW and local authorities to secure further investment in the Rochdale and Huddersfield Narrow Canals.
2. **Introduction**

2.1 We seem to have gone back 40 years. The Facts About The Waterways, published in 1965, set out how the government viewed options for disposing of the waterways. Each waterway was examined to see whether it should be "eliminated", turned into a water channel, or retained. We all know what happened: it was realised that closure was vastly more expensive than keeping the waterways open, and only three years later, the 1968 Transport Act established the statutory framework for the waterways renaissance which has been so profoundly helpful to many aspects of the nation’s life.

2.2 Yet now we are back in a situation where British Waterways is openly discussing whether some waterways may “have” to be closed to save the rest of the system. This would be laughable, were it not causing so much damage. All the excellent work by government, British Waterways and their many partners is being undone by the sudden cuts in Defra grant, and the reaction to them.

2.3 I hope your Committee will be able to get the debate between government, British Waterways and the public back onto a sensible path towards a properly sustainable future for a useful waterways system which fully exploits its assets but is not developed out of existence.

3. **Who We Are**

3.1 Shire Cruisers operates a fleet of 16 self drive holiday hire boats from Sowerby Bridge. Our customers travel all three trans-Pennine canals, and use the river navigations of Yorkshire. We provide about 10,000 visitor nights of accommodation per year, and our customers use extensively the pubs and shops along the way. We also operate about 50 private moorings, and run a full service boatyard.

3.2 Our operational area includes the recently-reopened Rochdale and Huddersfield Narrow Canals, on which we are the largest commercial operator.

3.3 I have been active in the waterways for nearly 40 years, am a past chairman of the Association of Pleasure Craft Operators, and a current member of British Waterways Advisory Forum.

4. **Current Users of the Waterway Network and Their Relationships with British Waterways**

4.1 BW is going through an extended period of change. Although the positive results outweigh the negative, there is a continuing adverse impact on morale. Also, the ongoing change leaves staff unsure of what their job is supposed to be—I know of one person unable to obtain a job description.

4.2 This has resulted in very poor communication with the trade and other users about operational matters. I am very pleased, therefore, that the customer service staff are now to be embedded in the new Customer Operations departments. I also welcome the new responsibility of the Customer Operations Managers to keep the canal open. We look forward to better communication, and actions more responsive to customer needs, in 2007.

4.3 Senior management is very clear about its objectives. These become obscured as they pass down the chain, and there is too often poor leadership by middle management. Decision making is still a difficult and protracted process, which reinforces the lack of clarity about aims. There is a need for significant change in these areas.

4.4 The current emphasis on reduction of costs in the back office is very welcome. This does not of itself get more spent on the track, but it at least reduces the overhead.

4.5 The direct labour force spends a great deal of time travelling, rather than working on site. This inefficiency needs radical reform.

4.6 The most important thing BW can do for the trade is reliably to maintain the track. The state of maintenance is a function of:

4.6.1 Resources: clearly the reduction in income from Defra will reduce the money spent on maintenance.

4.6.2 Efficiency: BW is quite good at spending less by axing projects or cutting overtime, but actually working smarter is something that comes more readily to some managers than others. There needs to be a change of culture driven really hard from the top.

4.6.3 Business Plan: this is not published, so how are customers to know if BW plan to respond to demand? “Our Plan for the Future” has not been published for this year, understandably. I should prefer to see something much closer to the real business plans.

4.6.4 Targets: managers are given targets, but the public is not told what they are, still less consulted on what they ought to be. Targets mean bonuses: we know that 87 employees earned £50,000 or more in 2005–06, but we don’t know how much of this was bonus, nor whether targets were hit, or missed. Customers should be consulted, and targets should include service levels, such as reductions in number and length of emergency stoppages.
4.6.5 Standards: there are several different ways of describing the standards to which individual waterways should be maintained. None gives any real security to users.

4.6.5.1 Statutory: the 1968 Act requires commercial and cruising waterway to be maintained in a “suitable” condition for use by craft which habitually used each waterway in 1967. The so-called statutory arrears—which does not mean that statute permits them, but measures the extent to which BW fall short of the statute—were put at £119 million in 2006. Restored remainder waterways do not have to be maintained in navigable condition unless they are upgraded to cruising status.

4.6.5.2 Framework Document: the current (1999) Framework Document, issued under the 1962 Act, requires BW to maintain all waterways according to “use and prospects of use”. If this Directive means anything, then it overrides the 1968 Act, and therefore allows upgrading or downgrading from the 1967 standard without anything being said, and indeed removes the “statutory” from the “statutory arrears”.

4.6.5.3 Waterway Standards: these internal documents purport to show actual condition of every length, together with a target for improvement. They are very seldom referred to in day-to-day conversation by BW.

4.6.5.4 New standards: the Chief Executive has said that he would like to see a new set of standards which were more readily understandable to customers.

4.6.6. None of these standards says anything you can pin down about reliability, water supply or ease of use.

4.6.7 What is needed, therefore, is a new Framework Document which gives statutory force to new, relevant and measurable standards.

5. THE FINANCIAL FRAMEWORK OF BRITISH WATERWAYS AND THE IMPACT OF CHANGES IN DEFRA’S BUDGET

5.1 Ultimately, the reduction in dependence on grant-in-aid from Defra has to be a good thing. The very concept of grant-in-aid relates to the making good of a financial loss, which may have been appropriate when BW was a nationalised industry seen as deserving of subsidy, but is quite wrong today. But there need to be other secure funding mechanisms to provide a sustainable future for the waterways.

5.2 There should continue to be government payments to BW. BW provides a public service, for the recreation, in a semi-literal sense, of millions of people. The 280 million visits to the waterways each year by non-payers are made by people who benefit from the restorative properties of a few hours or even minutes by the waterside: society benefits from this injection of sanity, and the visitors are of course themselves taxpayers. There is no means of charging individuals for casual visits.

5.3 Therefore, the work which was planned (see the 2004–05 Defra review) to establish a contractual basis for BW to charge the government a fee for services supporting casual visits, and land drainage, should be completed.

5.4 If a contract were entered into, it might be possible for BW to improve its medium term financial planning, with contract periods longer than three years. Such a contract would not be attractive to BW unless its value was similar to the current grant.

5.5 Local authorities also make valuable payments to BW. These could be assessed in a similar way, and it would be valuable for government to establish guidelines.

5.6 BW is exploring with Defra the possible use of S106 agreements to pass some of the gain from future waterside developments to BW. This could be a valuable source of funding, and would answer BW’s claim that developers free-ride on BW’s regeneration work—as do local authorities or government, by means of the uplift in rateable value. However, local authorities would need compelling reasons to give up part of their income from S106 agreements, traditionally used for projects driven by the local authorities themselves.

5.7 Even after years of PFI, it is not unusual for public bodies to own their operational property rather than leasing it. But BW is unique in having a vast portfolio of investment property, on top of its necessary operational holdings.

5.8 For many years, governments have considered whether this property might be sold off, or whether British Waterways itself might be privatised. The 2004–05 review concluded that BW should retain its property, and seek the best return from it.

5.9 This pressure has been increased in the most pointed of ways by the recent reductions in grant-in-aid. BW, having agreed with government the objective of becoming “largely self-sufficient”, is in the position of St Augustine.

5.10 So the issue of privatisation arises once more. Substantial parts of the non-operational estate might be included in PPPs similar to ISIS; assets might be securitised; or parts of the estate might be sold outright.
5.11 The involvement of the private sector is to be welcomed, since that would sharpen the focus on return on investment. Furthermore, this question—why does BW own all this property, and can the Treasury turn into cash—is going to go on being asked until it is permanently answered. Until then, it will be impossible to lay down a sustainable future for the waterways.

5.12 It would, however, be necessary to ensure that the proceeds were spent on the waterways, rather than being taken by the Treasury.

5.13 I suggest that two things should be secured:

5.13.1 A cash sum which would be realised and spent over, say, five years, to eliminate the backlog of maintenance (for my definition of that, see below/above).

5.13.2 A stream of income which would be spent on continuing normal operations.

6. Recent Developments in the Stewardship Work and Commercial Activities of British Waterways, Including its Property Portfolio

6.1 Our firm was one of the partners in the project to restore historic buildings at Sowerby Bridge Wharf. The project was facilitated by the Prince’s Regeneration Trust. The major player was of course BW, the freeholder and largest investor, but the Heritage Lottery Fund, Calderdale MBC, English Heritage, Yorkshire Forward and the tenants all played crucial parts. Work by tenants on the final building is about to start.

6.2 We believe that this project is a shining example of BW combining its duties to secure financial return, and to conserve important buildings. This is not because the result looks pretty and is well used, but because the difficulties which were overcome were so formidable. The basic scenario is one seen many times across the system: historically important buildings, with poor access, where use for boating conflicts with value extraction, and in secondary or tertiary locations with low value. This project highlights that there is a trade-off between navigation, conservation and financial return. Financial return may be maximised only at the expense of the other two.

6.3 The lessons learnt here must be built into new public-private partnerships—otherwise the conservation and waterway elements might well be lost.

7. Potential for Growth in Leisure and Freight Use of the Waterways Network

7.1 The potential for growth, as expressed by demand for boats and boating, is good. There are two serious constraints.

7.2 The shortage of mooring sites will be dealt with by other respondents.

7.3 The new marina policy, and the open way it has been arrived at and is being operated, are a great achievement for BW and the trade. New marinas are being constructed, though not fast enough.

7.4 The greatest constraint on the growth of our business is the unreliability of the track. Things have been getting worse for some time. This winter, it has got spectacularly worse, with the cancellation of £5 million worth of maintenance. These were jobs which were regarded as essential and urgent. Some works have been postponed: others, such as bad leakage on Calverley Wood Embankment on the L&L, will be given a temporary bodge rather than the permanent repair that engineers previously judged essential. Thus, for an immediate saving of perhaps £500,000, the risk of catastrophic multi-million failure is to be put off for a year or two rather than removed. What sense is that?

7.5 At the other end of the cost scale, small emergency stoppages are on the increase. Each such case delays our customers: often, they are unable to complete the route they planned due to losing, say two days out of a week’s holiday. This can then affect the following party, because the boat is unable to return to base.

7.6 In the same way, we experience delays because of inadequate water supply. All three Pennine canals have water shortages where they cross the watershed. The consequence is delay and difficulty—sometimes, stranding—for our customers.

7.7 These difficulties mean that we disappoint our customers far more often than would be reasonable. Without an improvement in service levels, it will become increasingly hard to sell holidays.

7.8 The principal restraint on the growth of our business is the restricted water supply near our base in Sowerby Bridge. Without more water, we simply cannot get any more boats away.
8. Relationships between British Waterways and Central Government Departments, Regional Development Agencies and Local Authorities

8.1 We operate extensively on the Rochdale Canal, providing about 30% of its traffic. We have been engaged with this waterway since we put a hire boat on its first six-mile isolated length in 1985. We have worked closely with Calderdale MBC and with British Waterways over this time.

8.2 Restoration of the Rochdale was initiated by local partnerships led by the four riparian local authorities. About half the canal had been reopened before BW became involved. Until then, it remained in private ownership. The advent of BW and The Waterways Trust made it possible to obtain Millennium and other funding for the second half of the canal. Ownership passed to TWT, and BW took full responsibility for the canal under a 50 year agreement, in which the local authorities committed to make contributions to maintenance, but all excess costs and liabilities were assumed by BW. The canal is, for practical purposes (according to Defra), part of BW’s undertaking, and a remainder waterway.

8.3 Since full reopening in 2002, there have been many practical difficulties. There were a series of structural failures, including a spectacular breach at the River Irk, which BW bravely repaired at the cost of £4.5 million.

8.4 As has hitherto been common with reopened canals, the Rochdale was opened but not completely restored. There are numerous structures in poor—some, dangerous—condition, and water supply is grossly inadequate. Preliminary estimates put the cost of putting the canal into sustainable condition, and providing an adequate water supply, at £11 million.

8.5 BW does not have this kind of money. BW is not theoretically obliged to maintain the Rochdale in navigable condition. However, the Framework Directive does oblige BW to maintain it according to “use and prospects of use”. There is use, with the prospect of a great deal more if its condition were not so notorious, because it is such an outstandingly attractive waterway, providing a short and attractive wide-beam route between Manchester and Leeds.

8.6 It is therefore very disappointing that BW has been threatening to give up, and close the canal if anything else goes wrong. This is hardly the way to encourage investment, whether from public bodies, or by the property developers who are expected to create the regeneration whose promotion was the point of restoring the canal.

8.7 BW is now working to improve its relationship with the local authorities, and to establish a case for funding the additional work needed to fix the canal.

8.8 I hope your committee will lend its weight to these actions.

8.9 We also work extensively on the Huddersfield Narrow Canal. The situation here is very similar to the Rochdale, although technically the HNC belongs to BW rather than to TWT. There is a similar need for further investment, and a similar prize of regeneration.

8.10 Again, I hope you will be able to give encouragement to the project to secure the necessary investment.

Shire Cruisers
January 2007

Memorandum submitted by the Islington Society (BW 17)

The Islington Society is concerned that British Waterways has scant regard for the tradition of relatively low rise buildings around the canal, and the need to retain public access to the towing paths including those around canal basins.

We support the broad thrust of the Mayor’s policy to increase densities with regard to a public transport accessibility index. The weakness of the present scheme is that the index is far too broadly drawn. A waterway is an impediment to good access yet local authorities tend to regard it as equivalent to a park (both are public open space). Unless there is a well connected tube station adjacent to the site on the same side of the water, the public transport access to a development site abutting the canal will be far lower than that further from the canal but within the same travelcard zone.

The Islington Society
January 2007
Memorandum submitted by the Association of Waterways Cruising Clubs (AWCC) (BW 18)

EXECUTIVE SUMMARY

The Association of Waterways Cruising Clubs (AWCC) represent the interests of over 20,000 club boaters. We are the “self-help” people within the boating fraternity. We are concerned with the social aspects of boating and the effect that reduced Grant-in-Aid (GIA) will have on retired people on fixed income and the ability of the young to enter the sport. We summarise our comments to you as:

— Good and effective relations are maintained with British Waterways (BW)—it represents a steady improvement, which we anticipate will continue.
— The Public Corporation framework is appropriate for BW, given more flexibility.
— Continued cuts in GIA will have a cumulative effect upon cash flow and maintenance and place unreasonable pressure on licence fees.
— GIA as a long-term funding arrangement for BW will always be susceptible to political pressure.
— Future development, and enhancement by Government, of the BW property portfolio is essential to maintain adequate third party funding.
— More third party funding could be obtained by seeking co-operative arrangements with other public bodies, such as English Partnerships.
— The necessary re-organisation of the navigation and leisure function of the Environment Agency (EA) will have consequences upon the long-term funding arrangements for BW and should not be ignored.
— The inland waterways of the UK are an “undervalued”, yet important leisure and tourism asset. There is a lesson to be learned from the Irish experience.

Our recommendations to government are:

— To give BW more freedom and flexibility to develop the public corporation structure.
— To provide BW with a long-term contract for maintenance of public assets.
— To help BW generate more income by endowing them with more property.
— To allow BW to form a property development partnership with English Partnerships.
— To review the status of the EA Navigation and Leisure Function and allow them to work as an independently “Next Steps” Agency, or give the function to BW.
— To reaffirm the messages in Waterways For Tomorrow, to recognise the primary role of inland waterways as a major part of the UK’s leisure and tourism industry and to show a continued commitment, thus restoring confidence in those who invest in it at home and those who visit from abroad.

INTRODUCTION

1. The Association of Waterways Cruising Clubs (AWCC) exists primarily to foster the interests of cruising on the inland waterways. We have a direct interest in the continuing regeneration and development of an integrated system of waterways in the UK and its organisation through the major Navigation Authorities (NAs). We are an Association of over one hundred cruising clubs with more than 20,000 affiliated members. We represent the interests of self-help people within the boating fraternity and promote our cruising aims through a policy of mutual assistance exercised through our clubs. We enter consultations and negotiations with British Waterways (BW) and the Environment Agency (EA), and other bodies at national, regional and local levels. We join with other national waterways user associations as an Associate Member of the Parliamentary Waterways Group (PWG). The AWCC has a positive view of the future development, maintenance and use of the waterways, which we expressed before the previous Select Committee inquiry1 in 2001. We would now like the same opportunity and offer the following in initial written evidence.

USERS RELATIONSHIPS WITH BRITISH WATERWAYS

2. The AWCC pursues a policy of positive engagement with BW and the other NAs. We maintain good and effective professional relations with the Chairman, Chief Executive, the Board and executive staff of BW through a series of national, regional and local meetings. We also participate in regular ad hoc meetings to discuss specific topics. For example, we recently met with the Chief Executive and Marketing Director, together with IWA and NABO, for an update on funding. We have a former BW Chairman (Sir Frank Price) as our senior Patron, who maintains a close interest in the waterways and AWCC.

1 AWCC Memorandum to ETR Select Committee Secretariat dated 28 September 2000.
3. The British Waterways Advisory Forum (BWAF) is a recent example of how effective consultation with BW has been greatly improved. Together with other National Chairman, I participated in the formation of this forum under the chairmanship of Prof. Jeffery Jowell QC, and have contributed to its discussions since. The chairman of the forum is elected from within the user and trade community, with BW Board executive and non-executive members attending the six monthly meetings. It has started a process of intelligent discussion of major strategic and policy issues, such as funding. I have personally ensured, via the intermediate agenda meetings, that the subject of third party funding and development of the property portfolio has been addressed at a full meeting. There is clearly still some way to go in the development of the forum to make it a fully effective policy advisor to the Board, but AWCC is pleased by—

— the effort that BW put into achieving its foundation;
— the commitment of, in particular, the current Chairman and Chief Executive to making it work; and
— by seeing that it provides an opportunity for achieving greater consensus within the user community, leading to a more effective forum.

4. It is clear to us that BW put a great deal of effort into consultation with users, the trade and the wider public—maybe more than any other public body. Some of this is more effective that others, but user bodies such as AWCC will continue to try to improve effectiveness, as it is in everyone’s interest to do so. Consultations with other NAs often appear less effective.

**Financial Framework of British Waterways**

5. The creation of BW as a Public Corporation in 1999 was a massive step forward in encouraging business management freedom and allowing financial flexibility to tackle years of neglect of the inland watersystems system. It has attracted new executives with business skills to join BW and encouraged existing staff to tackle their work with an ethic of both business and customer service. This action of foresight in creating the new framework retained the fundamental reliance on Government grant for a large part of its income, given that the freedom to raise money and generate third party income now exists.

6. We believe that it is a sound means of holding these multiple use public assets that comprise the inland waterways, given that it is further developed to suit BW’s role, with greater powers to invest and raise money. The AWCC would like to see the long-term improvement of the “third stream” of funding to both BW (and the Navigation and Leisure Function of the EA) in order to reduce their dependence on potentially variable government grant. BW has the real opportunity in the long-term to improve the sympathetic management of their property portfolio for the benefit of the waterways.

7. GIA given to a public organisation by government recognises the provision of a public service, the cost of which cannot be recovered at the point of use. It is fair and reasonable that payments for such services should come from taxation. There are many example of this type of service within BW. The increasing number of walkers that come to simply stroll along the towpaths, to watch the boats and to enjoy a waterside meal is maybe the best illustration of both success and the need for public maintenance money to provide safe and attractive access. For example, it was reckoned that nearly 300,000,000 visits were made to the inland waterways in 2005, over one third of these to walk and enjoy the ambience. Boater numbers are very small in proportion and they could be forgiven for feeling that they are now required to pay a disproportionate amount for system upkeep. GIA is appropriate for the funding of maintenance as a public good. If it is cut, there will be a debilitating effect on maintenance and unreasonable pressure on licence fees and those in society least able to pay, eg the retired on fixed income and the young, for whom lower access charges should apply. AWCC’s approach to boat owning is called “The Third Way” and aimed at keeping costs down.

8. The history of the restoration of the canal network has been forged by the commitments of volunteers both physical and financial. Many of AWCC’s older members helped create and develop club moorings and facilities on derelict land. They will feel betrayed and their efforts wasted if funds for ongoing maintenance are not to be made available. In these circumstances, it would not be surprising if they withdraw their support for ongoing restoration and regeneration schemes and leave the waterways scene somewhat embittered.

9. It is clear to the AWCC that every pound of public money spent on inland waterways returns many more to the UK economy through urban and rural regeneration and restoration projects. The reinvigorated waterways have stimulated growth in waterway-related businesses, multiplied economic and social benefits for local communities throughout the country and boosted a thriving voluntary sector. Central Government funding also produces confidence and financial leverage with other bodies such as the regional development agencies. Unexpected cuts in grant will reduce confidence in waterways’ projects and it will put future regeneration at risk. This should be viewed together with all the millions invested by the Heritage Lottery Fund and the millions of hours freely given by volunteer labour on restoration and care of the waterways.

10. Public money is appropriate, but grant will always be the subject of political pressures and the consequent variability that results. A chief executive that suffers an in-year cash flow problem because of his own errors or omissions may be rightly criticised, but one who has vital cash removed by a government department will be understandably upset. The reduction of planned maintenance has already been and will
clearly continue to be the first to suffer. The short-term solution that we propose is that the DEFRA grant is replaced by a cross department service contract to maintain assets that have use by a wider public, funded by relevant departments and/or a precept on local authority rates via a Treasury block adjustment of the rate support grant.

11. In the longer term, the financial freedoms given to BW within the public corporation structure should be reviewed and loosened. BW should be enabled with a greater borrowing ability and given a more flexible approach to the management of their property portfolio, with powers for greater co-operation with others in the investment in property and raising of third party income. The search for innovative ways of achieving extra income must be continued. Our expanded views are given below.

**Stewardship, Work and Commercial Activities of BW**

*The Property Portfolio*

12. BW already has a substantial property portfolio, which they inherited from their days as a nationalised industry. It is varied and largely an accident of history. It has been enhanced by government in recent years; eg the West India Docks. The BW Commercial Director recently gave a presentation to the BWAF on this subject where he explained the current development philosophy aimed at providing a future stream of income to support the corporation’s waterways activities. The direction described the need to buy water-related property and to sell less appropriate property with the aim of maximising income, but often within an environment of a considerable heritage interest. James Froomberg declared that he wished to run the property portfolio to a world class set of benchmarks, both in terms of income generated and all other standards.

13. The members of BWAF appreciated and understood the approach described and took the opportunity to set with James guidelines on how the portfolio should be managed. For example:

   — To ensure a strict demarcation between capital and revenue.
   — To examine novel ways to develop historic wharves and boatyards to retain the heritage, to extract profit and to engaged in planning gain agreements with local authorities, eg Section 106.
   — The need to ensure a high level of expertise within the BW Board and Executive.

14. The BWAF exercise helped to convert sceptics, given that developments will be sympathetic, to agreed guidelines and acceptable benchmarking, and that discussions with those affected will come sooner. It is now an accepted way forward. The question of how to enhance and further improve this activity remains? We recommend that the portfolio of appropriate property needs to be increased to a value of at least £1 billion and that this should be done where possible from government sources. We also suggest that a partnership with English Partnerships, the Government’s principal regeneration agency, could be used to further develop the BW portfolio. The five key principles of English Partnerships form a good match with what are the BW objectives. We would encourage more partnering deals with regional development agencies, local authorities and other public and private bodies.

15. *Stewardship*. Many valuable points were raised in Sir Peter Soulsby’s Adjournment Debate at the end of 2006. Bob Laxton (PWG Chairman) referred to a Monopolies and Mergers Commission report, which stated BW “has to maintain a 200-year-old canal system in a safe condition”. It goes on to talk about BW’s extensive heritage and environmental responsibilities. It concludes, “given the history of the system, it is unlikely that that the Board can ever run its affairs on a wholly commercial basis. It is therefore inevitable that British Waterways will continue to rely on public funds for a significant proportion of its annual turnover”. These words provide a brief summary of the problem with a fair indication that “the Board” does take their stewardship role seriously.

16. *The Work*. The Rochdale Canal embodies the dilemma faced by BW. The late Fred Dibnah reopened it in 2002 to much applause, following a successful campaign to raise £25 million from local authorities, the Northwest Regional Development Agency, the National Lottery and other public bodies for its restoration. BW then accepted the operation and maintenance role, with assistance from co-operative local authorities. However, two extremely expensive emergencies have since arisen. Their efforts to regain through navigation have been considerable and much praise is due to BW for having achieved it under difficult circumstances. We are convinced that should this happen again, BW would not be able to afford to reinstate failed structures and the canal would close. This is not a unique situation and it shows the continuous need for appropriate maintenance including technical asset assessment.

17. *The EA Connection*. It is difficult to consider the proper funding needs of the inland waterways without also looking at the EA, as they are the second largest inland NA and an integral part of the system. The EA are constituted rather differently to BW and are constrained on commercial activities. The EA Navigation and Leisure function also desperately needs a third funding source to fill a growing financial hole. The solution that we have put to Sir John Harman, with a deal of acceptance, is to seek the full powers available under the Trading Fund Act for “Next Steps” Agencies, to set up a fully functional trading fund and to recruit the necessary expertise. This would inevitably require a separate agency, or compartment of

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2 Hansard record of Sir Peter Soulsby’s Adjournment Debate, 6 December 2006
the existing agency, to cover navigation and leisure. We suggest that such separation would enable the function to be run on business lines, it would allow the generation of extra funding from third party sources and it would remove the dichotomy referred to in our previous Select Committee Memorandum in 2000. If the Government feels uncomfortable with such a step, the remaining practical solution is to transfer the responsibility to BW, but this will require enhanced third party money. However, given more commercial freedoms, navigation may have a greater chance of success within BW, with opportunities for more efficient operation and consistency of policies and approach.

LEISURE AND FREIGHT

18. The AWCC has long supported the expansion of both leisure and freight. We have argued for a more efficient structure for the waterways (there are more than twenty NAs) and for one countrywide licence. There are many popular spots, but equally many that could see greater use, where more investment may help. We support the freight objectives of WFT and do not see this to be in conflict with leisure. Old wharves may close, but new ones may open for today’s niche markets. The new one on the Paddington Arm in London is to be applauded. We would encourage a greater diversity of use as part of a successful future for the waterways.

A MESSAGE FROM IRELAND

19. I recently had the opportunity for a detailed discussion with Eamon O’Cuiv, the Irish Environment Minister, who is responsible for Waterways Ireland, together with his Chief Executive. It is clear that they both agree a seven year programme that is then funded in full without fear of random reduction. The programme is fully funded by government as part of a vibrant and expanding promotion of leisure and tourism and in the knowledge of the benefits that such an approach is bringing to an expanding Irish economy. The two men are comfortable in each other’s presence and clearly enjoy promoting their product on diverse public occasions in the UK.

20. The lessons that may be taken from the Irish experience are:
   — the framework and structure of the business organisation of Waterways Ireland is secondary in importance to the agreement with government of a firm strategy and programme that is then properly funded; and
   — the perception by government of the availability of public money in this activity is related to both the buoyancy of the economy and the determination to pursue agreed policies.

THE WATERWAYS FOR TOMORROW PROMISE

21. We agree wholeheartedly with the White Paper, which began by saying—
   “The Government wants to promote the inland waterways, encouraging a modern, integrated and sustainable approach to their use. We want to protect and conserve an important part of our national heritage. At the same time, we want to maximise the opportunities the waterways offer for leisure and recreation; as a catalyst for urban and rural regeneration; for education; and for freight transport. We want to encourage innovative uses such as water transfer and telecommunications.”

22. Many other promises were made in the form of policy statements. A Partnership with the People was promised and the principle of developing the BW property portfolio was accepted. It is time to confirm these strategic objectives, together with a means of achieving them.

23. This memorandum encapsulates of our thinking for creating a successful long-term organisation for BW and the inland waterways. We would have pleasure in expanding this evidence before the Committee and to submit supplementary evidence as required. Copies of our previous submissions are available on request.

Association of Waterways Cruising Clubs

January 2007

Supplementary memorandum submitted by the Association of Waterways Cruising Clubs (AWCC) (BW 18a)

SUMMARY

The Association of Waterways Cruising Clubs (AWCC) submitted a Memorandum to the Committee in January 2007. We appreciate the invitation to speak at an open meeting at Gloucester and summarise the comments we would make to you as follows:
Future development, and enhancement by Government, of the BW property portfolio is essential to maintain adequate third party funding.

More third party funding could be obtained by seeking co-operative arrangements with other public bodies, such as English Partnerships and their successor.

The necessary re-organisation of the navigation and leisure function of the Environment Agency (EA) will have consequences upon the long-term funding arrangements for BW and should not be ignored.

Our concern that many boaters may be forced off the waterways because of ever rising prices and that it is somewhat related to the current funding crisis.

We refer you to our original Memorandum for a full discussion on these matters.

DISCUSSION

Grant or Property Income? We emphasise the point that public money is appropriate for the public services provided by BW. The short-term solution that we proposed is that the DEFRA grant is replaced by a cross department service contract to maintain assets that have use by a wider public. In the longer term, the financial freedoms given to BW within the public corporation structure should be reviewed and loosened. However, GIA has to be supplemented by other sources of income.

Other Income. BW should be enabled with a greater borrowing ability and given a more flexible approach to the management of their property portfolio, with powers for greater co-operation with others in the investment in property and raising of third party income. The search for innovative ways of achieving extra income must be continued. We recommend that the portfolio of appropriate property needs to be increased to a value of at least £1 billion and that this should be done where possible from government sources. We also suggest that a partnership with “English Partnerships”, could be used to further develop the BW portfolio. We welcome the formation of “Communities England”, as the Government’s new principal regeneration agency, (to eventually encompass English Partnerships), with its £4 billion of public assets and a mandate to create more homes from brown field sites. We anticipate that this will encourage more partnering deals with regional development agencies, local authorities and other public and private bodies and we suggest that BW should be involved.

The EA Connection. We have said that it is difficult to consider the proper funding needs of the inland waterways without also looking at the EA. In summary, the solution that we have put to the EA is to seek the full powers available under the Trading Fund Act for “Next Steps” Agencies. This should be done as fully functional trading fund in a separate agency, or compartment of the existing agency, to cover navigation and leisure. The alternative is to transfer the responsibility to BW, but this will require enhanced funding for BW.

Ever Increasing Prices. We do not wish to present ourselves as a group of moaning boaters having to pay more for their pastime. However, many of our members, who are life-long waterways enthusiasts, are now retired and on fixed income, having put in much voluntary effort in their working lives to bring the canal system up to its present better state. As we said before, the history of the restoration has been forged by the commitments of volunteers both physical and financial. Many of AWCC’s older members helped create and develop club moorings and facilities on derelict land. Volunteers will feel betrayed if funds for ongoing maintenance are not to be made available and prices of moorings and licences continue to rise disproportionately, thus denying them the fruits of their labour and their boating retirement. BW has a duty to promote full social inclusion and we ask the Committee to consider the aspect that we have raised and how fairness may be extended to all.

Boat Safety Scheme (BSS) Costs. We offer one example that has arisen since our original Memorandum. The BSS has recently declared that the scheme is in financial trouble as both BW and the EA wish to withdraw direct funding (no doubt brought about by the current wider financial problems). The AWCC has contributed much to the scheme—maybe more than other groups—in the many years since its inception. Members of our National Executive have freely given technical advice and contributed many hundreds of hours in attending meetings in order to make it a technically sound scheme. We currently have representatives on all the BSS Committees and our President has recently completed a period as chairman of the Advisory Committee. This has all been done on a voluntary basis. The BSS certificate itself is now to cost £28.20, more than double the previous cost, and that is on top of the technical examination, which takes several hours work by the examiner and is separately charged. It is our belief that the Scheme will become unsustainable at reasonable cost without the direct financial support of BW and the EA.

We will be represented at the open meeting by Tony Mason, AWCC Vice President and for many years National Chairman of the Association. Tony is also the IWAAC appointed user representative on the BSS Management Committee.

David Pearce
Association of Waterways Cruising Clubs

March 2007
**INTRODUCTION**

I am David Stevenson, a former RAF officer and teacher, who has been involved in the Inland Waterways for over 35 years. I joined the Inland Waterways Association in 1971, played a major part in setting up its Ipswich and Leicestershire branches, taking senior roles on the committees of each, later becoming a Region Chairman and member of the IWA Council, then Chairman of its Navigation Committee, a Vice Chairman and, finally, National Chairman of the Association from 1989 to 1994. I mention the above not in a sense of “blowing my own trumpet” but rather to suggest that I know what I am talking about, when it comes to waterways, which is more than can be said for Minister Gardiner, if his utterances in Parliament or on the Radio 4 programme “Today in Parliament” on Friday, 12 January are anything to go by.

I shall endeavour to follow the issues in the order in which the Committee is to consider them. However, I will keep my observations relatively brief as I see no point in providing arguments for each of my points similar to those you will see from numerous other submissions. I ask the Committee to study the arguments advanced in the submissions of the Inland Waterways Association and “Save Our Waterways”, which, I believe, will give you all the necessary background detail.

**1. CURRENT USERS OF THE WATERWAY NETWORK AND THEIR RELATIONS WITH BRITISH WATERWAYS**

There is a very wide range of users, most of whom contribute nothing to British Waterways’ finances. Only 3% are boaters, who contribute substantial sums by way of boat licences and mooring fees. These are justified, so long as they are not allowed to escalate to the extent that boat-owners can no longer afford them (see later).

There is substantial evidence that neither cyclists (8.3%) nor anglers (1.6% at least) are making a fair and reasonable contribution, bearing in mind the benefits they receive. The Committee should recommend that BW re-examine this situation and come up with a workable scheme whereby appropriate “charges” are applied and properly collected.

**2. THE FINANCIAL FRAMEWORK OF BRITISH WATERWAYS AND THE IMPACT OF THE CHANGES IN DEFRA’S BUDGET**

It is essential that the cuts in British Waterways’ grant-in-aid be restored without delay, because, unless they are, essential maintenance of the waterways will not be able to be carried out, putting the fabric of “the cut” at grave risk.

If this is not done, BW will resort to raising its boating charges in an attempt to balance its books and, as suggested above, this will lead to boaters, especially those of the middle classes saying enough is enough and selling up. Nothing could be more counter-productive to the aims of British Waterways and the ideals of “Tomorrow’s Waterways” than a serious fall in the number of boat-owners resulting from prohibitive hikes in licence fees and mooring charges.

**3. RECENT DEVELOPMENT IN THE STEWARDSHIP WORK AND COMMERCIAL ACTIVITIES OF BRITISH WATERWAYS, INCLUDING ITS PROPERTY PORTFOLIO**

There are two main problems here, one concerning the heritage and the other BW being seen to be “open” in its dealings. In both aspects, it is felt that it has been, at times, less than straight in its dealings, possibly caused partly by undue pressure from the Department to balance its books with the minimum grant possible. The recent problems of Defra, totally unconnected with the waterways, have only served to exacerbate this.

The more serious day-to-day problem is the position of BW as both investor and landlord in the marina/moorings business. This needs to be resolved so that BW’s hands can be seen to be clean. It has to be viewed also, as far as boaters are concerned, in the context of a proliferation of on-line moorings, which desperately need to be reduced in number by the creation of affordable off-line DIY style moorings/marinas.

BW has the problem of its responsibility towards the heritage of its own network weighed against the potential profits from developing its own sites. My own involvement has been mainly with Banbury and Loughborough. In my view, in Banbury in particular, the heritage side lost out and the development was less than satisfactory, even if Tooley’s Boatyard was spared. At Loughborough, a number of multi-storey buildings are being erected about the historic Canal Basin, the largest a block of student apartments, which the University specifically told the Inquiry it did not want or need.

Clearly, in both areas, BW needs clearer guidance so as not to detract from the inherent quality of its waterways and buildings portfolio.
4. POTENTIAL FOR GROWTH IN LEISURE AND FREIGHT BUSINESS OF THE WATERWAYS NETWORK

There is no shortage of potential for leisure boating, cycling and towpath walking. All these and other waterway associated activities will inevitably suffer if the Defra cuts limit BW’s ability to maintain its system and particularly the towpaths. Mention has already been made of the counter-productive effects of increases in charges to boaters. Alas, these will be compounded by the EC’s refusal to extend the derogation of red diesel. Add all these factors together and it is clear that BW/Defra is walking a very narrow tightrope as far as maintaining the number of boaters on its system, let alone increasing them in the way BW was forecasting until recently. As an example, I am one of many who has sold his narrowboat and opted for a time-share, mainly on the grounds of cost, as a pensioner.

I have so far made no mention of waterway freight transport. It is apparent that, as the threat of global warming becomes more generally recognised, so the advantages of freight by waterway will rightly be advocated. BW has already supported some initiatives but it needs the support of Government and the benefit of start-up grants. The Committee should give its backing to BW and potential waterway freight operators.

5. RELATIONS BETWEEN BRITISH WATERWAYS AND CENTRAL GOVERNMENT, RDAs AND LOCAL AUTHORITIES

I do not claim to have much expertise in this aspect but, from observation, I form the impression that all these bodies have very limited knowledge or understanding of BW and its activities. I suspect the reverse is true of those BW officers who do not have regular contact with the bodies concerned. I am sure the Committee is capable of making suggestions to improve the situation.

British Waterways sits uncomfortably within the Defra domain and there is an urgent need for discussion about which Government Department would be better to host and sponsor it. My own preference would be for DCLG, but I accept that careful consideration, hopefully not too lengthy, will be needed. Certainly, I suspect that the cuts and the attitude of the Minister will have done much to destroy the trust necessary between the Department and the BW Board.

SUMMARY

It must first be stressed that the Defra cuts, both in their timing and the reasons behind them, have been a body blow to British Waterways and the waterways arena in general.

It is clearly morally wrong for Defra to have demanded cuts in BW’s grant-in-aid, half way through a year in which it had budgeted its activities and, even more iniquitous, to help bail out another part of Defra’s “empire”, whose officers had failed so miserably to administer its operations that it had incurred a fine from the European Council.

Therefore, the Committee’s first duty is to recommend that BW’s grant-in-aid should be restored without delay. Only in this way can confidence be restored to the waterways sector.

The most important matter to be resolved is the mounting threat to the fabric of the waterways, through lack of cash, the most serious in the last fifty years. The results of BW’s achievement in catching up with their backlog of maintenance in the last few years, and their efforts to bring back “lost” waterways, many of them restored by enthusiasts, have been put in jeopardy by Defra’s calamitous decision to make these cuts.

I end as I began, with an implied call to the Minister, Barry Gardiner, who has so manifestly failed to support British Waterways at this time, to resign and the suggestion that the present impasse will not be resolved whilst he remains in office.

Foxton Inclined Plane Trust

January 2007

Memorandum submitted by DBA-The Barge Association (BW 20)

This submission is made on behalf of DBA-The Barge Association. DBA is a UK based international organisation of 1,500 members who are interested in owning barges and using them on UK and other continental waterways. The typical barge is about 50 tons and 22 metres by 5 metres and many are suitable for residential use. The ex-commercial ships are up to 100 years old and an increasing number of new barges are now being built in this country. About half of the members own barges and the remainder have ambitions to do so. The association aims include the representation of the interests of barge owners in areas such as mooring rights, navigation permits and charges, provision and maintenance of barge navigations and navigation/safety regulations.
FUNDING

1. The key threat to British Waterways (BW) ambition to create an expanded, vibrant waterway network is the current and year on year proposed cuts to its Grant-in-Aid (GIA). BW have made significant strides in raising increasing finance from its commercial activities. BW intend to make up part of the shortfall by increasing boat licensing fees. It is very unlikely that this course of action will cover the increasing gap between GIA and the costs of maintaining the network the country deserves.

2. Most users of the canal corridor maintained by BW make no direct contribution to maintenance costs. BW have published figures for 2005 that show that of the 279.2 million visits only 9.9 million were by boat users and 4.8 million by anglers. Thus only 5.2% of the people who enjoy our waterways make any direct contribution to them. For the remaining 94.8%, who are ramblers, (dog) walkers, cyclists, and runners, including many who cycle or walk on their way to work their only contribution is through GIA. It is thus unreasonable to expect BW to maintain the network using just commercial and licence income.

3. The inland waterways of this country are enjoyed by many, as the visitor figures show, and provide opportunities for many for healthy outdoor exercise, community well-being, informal recreation, education and regeneration of many urban areas. These are all significant planks in the government’s programme to improve the health of communities and people, with the added benefit of reducing costs to the NHS. It would be impractical to charge the vast majority of visitors to the thousands of miles of waterways and this makes GIA the most cost-effective and best value for money method of maintaining this very valuable asset.

4. GIA should continue and be increased in line with the increases in costs to BW as it takes on restoration of further waterways and takes on the maintenance of waterways restored by others.

ISSUES

5. BW, strapped for maintenance cash, inevitably has difficulty in providing adequate resources to support the restoration and regeneration of the network. Its lack of support for the proposed Bedford—Milton Keynes link between the Grand Union canal and the Fens was driven by their own prioritisation of projects. Similar projects such as the Cotswolds canals and the Upper Avon link have also failed to gain BW support.

6. Dredging has already been neglected for many years as a cost saving measure. Lower maintenance standards have reduced the gauge (width). On the Kennet and Avon canal, for example, dredging has been neglected for years and full length deep draft narrowboats (typically ex-commercial) struggle to navigate. Even modern narrowboats with modest draft regularly run aground during summer particularly in lock accesses. Repairs to locks have been allowed to narrow the available width and in bridge holes masonry dropping from the sides again impedes navigation. The Kennet and Avon canal’s condition is now poorer than on re-opening 10 years ago.

7. Canals provide an excellent corridor of regeneration for many urban areas. There is a need to encourage affordable housing which could be provided by a positive policy of encouraging residential use of boats. BW’s current policies neither encourage nor facilitate the extension of residential use. BW should have a policy of providing official residential berths on its long term moorings and in its marinas owned by British Waterways Marinas Limited. They should also stop challenging proposals from other marina operators who wish to provide residential moorings such as Lots Ait and the basin in Brentford.

SUMMARY

8. Despite an increasing commercial income, including licence and mooring income, the network in BWs care will continue to decline unless GIA is maintained and increased appropriately to allow BW the proper resource to maintain one of our national treasures—the Inland Waterways.

DBA-The Barge Association

January 2007

Memorandum submitted by the Leicestershire Branch of the Inland Waterways Association (BW 21)

I wish to make the following submission about the workings of British Waterways towards creating an expanded, vibrant and largely self sufficient waterway network, with particular reference to the probable impact of the draconian reductions in its funding.
1. Relationship with Users

(a) Within Leicestershire the second most popular visitor attraction is Foxton Locks, a unique flight of 10 locks arranged in a staircase. These are visited it is estimated by up to 200,000 visitors a year. These visitors pay merely a small parking charge to enjoy watching boats pass through the locks and to view the remains of the inclined plane.

(b) British Waterways has been working closely with volunteer groups towards the recreation of the inclined plane, a unique feature of the inland waterways network within the United Kingdom, closed in 1910.

(c) In Loughborough every year a highly successful Canal Festival is held over the May Day bank holiday weekend, supported by British Waterways, when an estimated 20,000 people throng to the canal-side to see over 100 boats and a large range of stalls and activities.

(d) In Leicester every year we hold a Festival of the Riverside when crowds of residents come along to see the boats and to enjoy the associated entertainments. British Waterways is a key partner in this event.

(e) The branch has held two very successful rallies in Market Harborough in the last 10 years, both actively supported by British Waterways and both enjoying a large turn out of members of the public.

(f) For the whole length of the canal and river navigation throughout the County, people walk, cycle, jog and exercise their dogs along the waterway which acts as a green lung into the city, towns, and villages. Many people use the towpath to commute into Leicester and a large number of angling clubs and societies fish the waters.

(g) Several charities operate several large trip boats on the navigation enabling the disabled and disadvantaged amongst others to enjoy trips on the water, these trips operating through much of the year.

2. Financial Framework

(a) It is beyond my experience to respond on the total financial framework, but wish to comment on specific factors within Leicestershire. British Waterways manages and maintains the waterways for the whole of the public. I list below significant local factors that potential cuts in funding will aggravate.

(b) Of the vast number of people who enjoy the waterways in the county, only boaters and anglers make any direct contribution to British Waterways finances, yet the waterways are greatly enjoyed by a large proportion of the population.

(c) In Leicestershire we have been striving for many years to increase boat numbers passing through the city to bring about general improvements to the waterside environment which showed full evidence of industrial decline and neglect. To this end British Waterways installed new lock gates along much of the line to ensure precious water supplies were not lost. Increased boat movements have resulted and now, at last, the city of Leicester is being re-developed alongside the waterway. These residential developments are sited to enjoy the experience of being alongside a vibrant waterway.

(d) If maintenance is not continued, boat uses will reduce and there is a danger of a new decline in quality of the waterside. Lock gates require frequent and regular maintenance and have a finite life, failure to maintain them correctly will cause great water loss and will hasten the end of their useful life and require expensive replacement lock gates if the waterway is to remain open and navigable.

(e) As a result of the old industries in Leicestershire, and in Leicester in particular, toxic wastes have been flushed into the waterway over the past centuries. Silt flowing down road and other drainage channels is reducing the navigable depth of the waterway and urgent dredging is required, but with the highly contaminated nature of this silt, the cost of tipping and treating this silt is prohibitive. Unless this dredging is undertaken, navigation will be impossible, but with greatly reduced budgets, British Waterways will be unable to fund this work. It is iniquitous that British Waterways should be left with the financial and physical problem brought about by the industries that benefited the city and towns in our area without adequate assistance in solving this problem.

(f) A major threat to our waterway in Leicestershire is now presented by the invasive weed, floating pennywort. This weed, introduced as a pond plant from North America, grows at the rate of approximately 1.5 metres per week in the summer and can grow up to 15 metres from the bank in one season. This has been found in the county for three seasons now, and its impact has increased dramatically. This weed grows at a prodigious rate and now covers ever increasing areas of the water with a thick blanket of weed that chokes all other wildlife and through which boats are unable to pass. It is reported that several dogs have drowned after stepping onto this apparently solid green mass, only to fall through and be unable to get out. We have also concerns that should a sufficiently large carpet be moved by flood water to a narrow bridge, then this could cause significant flooding to properties. Unless significant funds are devoted to the eradication of this menace it is possible that all water based activities will cease.
(g) Where boaters in the 1940s, 50s and 60s were willing to force their way through un-maintained locks, lift bridges and other structures, modern health and safety legislation would prevent this and new waterway users are unlikely to go to the lengths of their predecessors to participate in boating. Low water levels brought about by poor structure maintenance will send anglers away to fish at stocked fisheries. Continued, adequate funding is required to prevent this.

3. RECENT DEVELOPMENTS

I am not aware of the full details of British Waterways commercial activities within the county but can list the following:-

(a) In Market Harborough the once derelict canal basin has been re-developed following our 1996 boat rally and now presents a pleasant office, restaurant and residential environment. The canal basin is now a very successful base for CanalTime, a boating timeshare organization.

(b) At Foxton Locks the public house has been completely redeveloped with new access road and parking and is now an even more popular venue. This is managed by British Waterways’ commercial partner.

(c) In Loughborough the canal basin is currently being re-developed with new housing blocks, café and restaurant and a completely rebuilt waterside. This will bring more people to the waterspace and will generate additional income for British Waterways.

(d) At Foxton Locks, British Waterways and its voluntary organization partners have commenced work towards the full reopening of the unique Foxton Inclined Plane that closed in 1910. Current work will improve the visitor experience of what remains of this structure and has secured the remains from further degradation.

POTENTIAL FOR GROWTH

(a) The success of the CanalTime operation based at Market Harborough over the past seven years shows the demand for boating activities within the general public.

(b) Increased boat numbers through Leicester show some of the potential but there is a tremendous growth potential once facilities are improved. Boaters like to be able to undertake a round trip and the waterways through Leicestershire form a good cruising ring for a holiday of up to two weeks.

(c) There is a clear need for boater facilities (toilets, showers, waste disposal) to be provided within Leicester. This would ideally include some form of marina and mooring base in the city to further enhance the waterside experience as shown be developments in Birmingham, Lincoln etc.

(d) The navigation north of Leicester has been used over recent years for gravel extraction, boats being used to move loads to processing points. The waterway has a broad beam and is able to handle moderate loads and could potentially, with investment in shore based infrastructure, bring more freight movements by water.

(e) There is scope for a number of new marinas to be built to cope with additional boats and to increase income.

(f) All this potential growth is threatened if British Waterways is not able to make the necessary contributions or able to maintain the waterways in a safe manner.

(g) Volunteers have commenced work towards re-connecting Melton Mowbray with the main waterway network. This will bring tremendous benefits to this market town.

(h) At Foxton Inclined Plane, plans are in place for the complete re-opening which will have the potential for making this the pre-eminent tourist attraction in the county and possible the East Midlands as evidenced by the success of the Falkirk Wheel.

4. BRITISH WATERWAYS RELATIONSHIPS

(a) Again an area where others are far better versed to comment than I but given the greatly increased value placed on homes and buildings adjacent to a living waterway, there ought to be scope to link this to the income of British Waterways making a suitable contribution to on going maintenance.

(b) Regional Development within this area is evidenced by the restoration projects at Foxton and Melton Mowbray for the future, with the developments in Market Harborough, Leicester and Loughborough as existing and on-going projects where British Waterways needs assistance for the community to fully benefit from the development potential.

(c) Floating pennywort is currently present and a great threat on the navigable river Soar. This therefore affects both British Waterways and the Environment Agency and close linkage is required to tackle this problem.

(d) Foxton Inclined Plane restoration, and its potential to greatly improve the wealth of the surrounding area shows clearly that this is a scheme where the regional development agency should be fully involved.
In conclusion, I must urge the Committee to look closely at the funding provided to British Waterways, to restore the funds removed from its budgets this year and to ensure that adequate funding methods are provided to enable the essential work British Waterways undertakes be continued.

**SUMMARY OF RESPONSE FROM LEICESTERSHIRE BRANCH, INLAND WATERWAYS ASSOCIATION**

1. **Relationship with users**
   
   Within Leicestershire a very significant number of people use the waterways to enjoy the facilities without making any direct contribution to the costs.
   
   These users encompass the whole community, including the disabled and underprivileged for whom special boats are provided.
   
   British Waterways has been fully supportive of events for the public that we have arranged.

2. **Financial Framework**
   
   Only a very small proportion of waterways users in Leicestershire pay a direct contribution to British Waterways.
   
   Improvements in boat usage and developments alongside the water need continued maintenance from British Waterways. Money spent in the past will be wasted if inadequate maintenance is carried out.
   
   Toxic dredging risings are the result of Leicestershire's industrial past, not British Waterways activities, yet they have to fund the disposal.
   
   Invasive weeds will cost great sums to remove, but if this work is not done there is the potential for the waterway to be closed.

3. **Recent Developments**
   
   Developments throughout the length of Leicestershire’s water involving British Waterways hint at future potential, but a continuing vibrant waterspace requires suitable maintenance.

4. **Potential for Growth**
   
   This potential is shown by the successes in Market Harborough and increased boating numbers help illustrate the potential in Leicester and Loughborough.
   
   There is the potential for the prime tourist attraction to be restored at Foxton, only funds are needed to regenerate the surrounding area.
   
   The restoration of navigation to Melton Mowbray has great potential for benefit to that town.

5. **British Waterways relationships**
   
   Regional development benefits are shown by the recent growth in waterside developments, though British Waterways has little opportunity to participate in these profits. There needs to be a linkage between improved local authority benefit from these developments and the income of British Waterways.
   
   British Waterways needs to work closely with the Environment Agency over the invasive weeds afflicting the waterway.
   
   Existing partnerships need to continue to bring planned restorations to fruition and benefit the local areas. These need development agency backing.

Leicestershire Branch of the Inland Waterways Association

*January 2007*

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**Memorandum submitted by Chris Bushill (BW 22)**

1. The driving force for the maintenance and, especially, the restoration of waterways in this country is the desire for their use by leisure boaters. However, the spin-off by-product of this use for boating is an amenity used by a far greater number of citizens than just the boaters. Of these many, if not a majority, will have seldom, if ever, travelled on a leisure boat on those waterways.

2. The maintenance of towpaths provides a vast network used by pedestrians and cyclists whilst the waterway itself provides a series of "lakes" used by anglers who greatly exceed in number the boaters, whose use of the waterway has ensured its existence.
3. There are many others who, directly or indirectly, make use of the rivers and canals of this country, not least those who maybe do not stop to realise that their travel to work or view from the office is enhanced by the addition to the scenery provided by a navigable waterway.

4. There is no doubt in my mind that the waterways are in a better condition today than at any time since they were last used on a commercial scale. This is a testament to the work of BW in recent years but there is still a great deal more that could and, I believe, should be done to further enhance our waterways.

5. It worries me greatly to feel that this improvement could be lost if those in a position to influence funding do not fully appreciate the enormous benefits provided by our waterways system.

6. The boater is the tip of a vast iceberg. The maintenance of our waterway system provides a resource which improves the life of almost all our citizens; one which is used directly by millions of people, only a small proportion of whom are boaters. Yet, without those boaters, the driving force for the maintenance and improvement of the system would be lost.

7. Please help to ensure that public investment in this valuable resource is provided commensurate with the very real benefits provided to the people of this country by a well maintained and expanding waterways network.

Chris Bushill
January 2007

Memorandum submitted by the Residential Boat Owners’ Association (BW 24)

EXECUTIVE SUMMARY

— The Residential Boat Owners’ Association (RBOA) represents users who have a major commitment to the inland waterways through their life style.
— The RBOA recognises a current good working relationship and stakeholder satisfaction with British Waterways (BW)
— The poor quality of the inland waterways system prior to the establishment of BW as a Public Corporation points to the basic reliance on grant-in-aid.
— The boating market is fragile and cannot provide a major element of the required funding.
— Funding of the inland waterways must be on the basis of it being a national asset with free and inclusive access for all.
— The national heritage will be put at risk if funding for the inland waterways is vulnerable to political pressure.
— Base funding should be through a long term contract between BW and Government.
— This core funding should cover BW’s stewardship responsibility for the national heritage.
— Commercial income should be focused on procuring additional enhancement and user benefits.
— The long term contract should be directly with Government and independent of the sponsoring Department.
— There should be a greater acknowledgement by local government of the value of inland waterways which benefit their rate payers.

CURRENT USERS OF THE WATERWAYS NETWORK AND THEIR RELATIONSHIP WITH BRITISH WATERWAYS

1. The Residential Boat Owners’ Association (RBOA) represents those who live on boats on the canals, rivers and coastal estuaries of this Country. We work closely with British Waterways (BW), the Environment Agency and other Navigation Authorities to promote responsible and sustainable living afloat and to resolve problems or inequalities affecting those who have chosen this lifestyle.

2. The RBOA recognises that BW and other navigation authorities have a prime responsibility to maintain and develop their waterways for navigation and that their primary objectives must be focused on this. The RBOA has always been involved in consultation and discussion with BW regarding the widest possible use of the waterways for the benefit of all, whether living on water or land, and we recognise the importance of this in achieving the maximum potential for leisure, education and healthy living.

3. In our opinion, the relationship between users and BW has improved greatly in recent years from the earlier period when there was little consultation or dialogue about customer needs and their priorities for focusing spend. Initiatives such as “Openness and Accountability”, User Group Meetings and the British Waterways Advisory Forum (BWAF) have contributed to this.
4. Those who choose to live afloat have a commitment to the waterways, demonstrated by their major decision to relocate from the security of a land-based property to a boat which is legally a chattel. As people who live totally in close proximity to the waterways, RBOA members are only too aware of the frailty as well as the value of a system which is in many cases over 200 years old.

5. All boaters have invested considerably in the inland waterways with boats estimated as accounting for a large part of its total investment. We do not deny that boaters gain considerable enjoyment from this investment but all surveys of visitors to the watershed have emphasised the importance of boats as an attraction and interest to all visitors. We maintain that boaters pay more than their fair share given that there are over 300 million visits to the waterways annually.

THE FINANCIAL FRAMEWORK OF BRITISH WATERWAYS AND THE IMPACT OF CHANGES IN DEFFA’S BUDGET

6. We can recall the situation some years ago when waterways were not adequately funded, necessitating a poor quality or degree of maintenance work. This often resulted in major failures of engineering structures and either extended stoppages or the need to divert money away from other routine maintenance. We believe that the saying “a stitch in time saves nine” is nowhere more appropriate than when applied to the waterways system. The ultimate solution, to permanently close navigations has been proved in the past to be a disaster, leaving problems of flooding, health risks from stagnant shallow lengths of disused canals and the risk to children and vulnerable adults from the lack of a public presence.

7. The creation of BW as a Public Corporation in 1999 was a major step forward in encouraging business management freedom and allowing financial flexibility to tackle the previous years of neglect in the maintenance of the inland waterways system. This action in creating the new framework, taken by the then Waterways Minister, retained the basic reliance on Government grant for the major part of its income, alongside the freedom to raise money from other third party sources.

8. BW cannot sustain itself purely on funding from navigation users. We believe that the boat ownership market is fragile and we have recently seen indications from our members that cost increases, licence fees, mooring charges, essential maintenance and the possibility of fully taxed diesel are acting as disincentives. This is particularly serious if it discourages new and younger entrants into the market or makes this activity socially exclusive. Attempts to mitigate the Defra cuts by increasing licence fees and other income from boaters would have an adverse effect on the market and may even be counter productive. Alternative income streams are essential to BW.

9. The inland waterways are a national asset and a vital part of our national heritage. The majority of beneficiaries, whether walking, cycling, enjoying family waterside pursuits and education benefits, or benefiting from the increased value of waterside property, do not contribute directly to them. We support BW’s attempts to increase income from visitors to the waterways, for instance by charging for car parking at ‘honey pot sites’ but this income will always be limited. The majority of towpaths and associated amenities will always give free and inclusive access to all and this must be recognised at national level.

10. Another serious result of lack of funding is the deleterious effect on our national heritage. Examples still exist where inappropriate materials and construction techniques have been adopted to minimise costs, in many cases ruining the heritage benefits for future generations. Many of the waterways structures are listed and must therefore be repaired with correct heritage techniques and materials. The only alternative to reduce the major costs that this implies would be to ignore them until total demolition or closure is essential for health and safety reasons. Funding to preserve the nation’s heritage must not be vulnerable to political pressure such as the current Defra deficit. We do not believe that Defra is in a position to predict these long term implications of the proposed cuts.

11. It is therefore right and proper for the public purse to be used as a base for funding the waterways, as the majority of those who benefit do not pay directly. Grant-in-aid decided on the basis of political criteria is now being proved not to be stable enough for BW to use efficiently. They need the security of knowing that their base level grant will be maintained at real costs in the long term. We believe that the best way of achieving this would be with a long term contract between BW and the Treasury. This would recognise the waterways as a public asset held in the custody of BW. The contract would be based on the principle of maintaining this asset at a specified standard or for the benefits that the waterways provide to the Nation. The level of funding should either be set according to costs, based on the value of the waterways assets in the custody of BW, and their repairs and renewals, or by a contract whereby BW charges the public purse for the benefits that its waterways provide for the nation.

THE STEWARDSHIP WORK AND COMMERCIAL ACTIVITIES OF BRITISH WATERWAYS

12. The RBOA is of the view that in recent years the need to exploit its commercial activity and head towards a position of financial self-sustainability, has resulted in BW “taking its eye off the ball” regarding its stewardship responsibilities. The need to maintain a 250 year old canal system with all the heritage and public safety implications make it unlikely that it can ever be run on a totally commercial basis. That is why we support a clear division between the core funding of the stewardship remit as described above and income from their commercially based activities which would be aimed at enhancing the benefits for all users.
13. A contract between BW and Government as proposed above would give a core funding level, more reliable than grant-in-aid, to ensure that the waterways are maintained at a good base level appropriate to their heritage status. We believe that commercial activities could then be identified to support the additional activities needed to enhance and extend these benefits. The Commercial Director of BW explained this is at a recent presentation to the British Waterways Advisory Forum (BWAF) on this subject. He stated that the objective of BW’s property development portfolio was to provide future income to support the corporation’s waterways activities. BWAF members accepted this approach and the benefits of identifying the purposes of capital and revenue funding.

14. We recognise that BW is faced with a difficult balance between maximising the income from its property portfolio and maintaining the heritage and public amenity of the waterways. This is apparent in the development of historic boatyards and wharfs located on high value sites. We are concerned that a preoccupation with commercial development can result in traditional boatyards being lost to high value housing schemes which exclude full public access. There are solutions to be achieved through planning gain and other local authority agreements putting back benefits for the benefit of all users. We support BW’s initiatives in achieving additional income from its property portfolio but maintain that this must be secondary to its stewardship responsibilities.

Maintenances of a high standard waterway network and the needs of financially contributing stakeholders must come first. It is important for BW to attract a high level of expertise in its board members and senior staff, in order to meet these challenges.

15. We support the need for a greater borrowing ability for BW and the ability to manage their property portfolio in a less restricted way. They should have powers for greater co-operation with others in the investment in property and raising of third party income.

POTENTIAL FOR GROWTH IN LEISURE AND FREIGHT USE OF THE WATERWAYS NETWORK

16. There is potential for growth in the canal network, although there are capacity limits on parts of the system in peak periods. The supply of moorings is not keeping up with the supply of new boats and BW has now recognised this as a major disincentive to growth in the boat market. RBOA is working closely with BW and other organisations to resolve the bureaucratic and planning problems in developing more mooring sites. We have identified a large demand for good quality residential moorings in a variety of locations, and along with BW we are working on a group under the auspices of the Association of Inland Navigation Authorities (AINA) to encourage a more enlightened attitude from Planning Authorities.

17. We also see substantial opportunities in growth for both local and tourist visitors to the waterways. There are good examples where locations have been sensitively developed to increase the attractions for day visitors, whilst retaining much of their intrinsic value. However this mainly applies to “honeypot” sites such as Brindley Place, Birmingham and Foxton Locks. A greater challenge is to open up the lesser used parts of the waterways for more casual visitors, with low key visitor centres and other appropriate attractions such as at Fradley. This is very relevant to the Government’s initiatives towards more healthy living and exercise for all people as canal towpaths provide a low cost resource in achieving this. Given the establishment costs and upkeep on such resources it must be recognised that they are unlikely to generate income. A holistic view of the benefits in line with other Government agendas must be taken in funding these initiatives.

18. Another approach to growing the waterways network is through the restoration of derelict or non-navigable canals. The RBOA, both on a national basis and through the involvement of individual members, has always supported such projects and the local benefits that they create. However, the long term sustainability of restoration schemes must be carefully considered to ensure that they do not become a drain on the base maintenance funding. The Rochdale Canal was restored through third party funding and BW took on the responsibility for maintenance. They must be congratulated for finding the funding to deal with subsequent major problems on the canal but, with the cuts in the Defra grant, this is unlikely to happen in the future. The result could be a long term closure and a loss of all the benefits to the local economy that such a restoration had achieved. This demonstrates the need for the base level maintenance funding to be reviewed to take into account extensions to the system or agreements with the local authorities involved, in order to guarantee their long term sustainability.

19. We believe that there is the potential for steady if limited freight use of the inland waterways. This will primarily be limited to parts of the system which are more easily adaptable to large scale freight handling and are not in conflict with leisure uses. The government agenda for sustainable transport systems, particularly in the handling of waste materials at source, presents an ideal opportunity for commercial use of the waterways, for example directly from canalside located retail outlets to recycling centres. This should be considered as an important criteria in the conflict between the development pressure and the retention of existing wharfs as discussed above. Loss of these is a major disincentive to future development of freight use. A further problem which BW face is in obtaining sufficient investment to develop the infrastructure to support modern freight handling.
20. In our correspondence to the Secretary of State regarding the Defra cuts in grant-in-aid, we pointed out that the current problems that this Department finds itself in are nothing whatever to do with the inland waterways. BW has successfully managed its budgets within recent years and is understandably aggrieved that it has to share in mitigating against the overspend. It is therefore tempting to support a move of the BW remit to another Department. There are arguments for a return to the Transport Department or involvement with leisure and tourism as sponsors.

21. Our view is that the remit given to BW and the ways in which this is managed to give BW more flexibility and long term financial security, is more important than exactly where it sits within Government departments. Changes in Government or in Government leadership may well result in future changes in remits between departments and the long term sustainability of BW must not be effected by this. This should include a long term contract which would be independent of the sponsoring department, for the maintenance of the waterways as a public asset. The government structure for BW should also allow it more freedom within the public corporation structure and its ability to generate partnerships for property development.

22. The RBOA believes that there is a general lack of acknowledgment by local authorities of the benefits that their rate payers gain from the waterways in their area. These may include the amenity and leisure benefits, education, healthy living and sustainable commuting. In some instances, the waterways are actually used by local authorities to contribute towards their public open space requirement without any financial contribution from the public precept.

The Residential Boat Owners' Association (RBOA)

January 2007

Memorandum submitted by the Lancaster Canal Trust (BW 25)

1. This submission to the Select Committee on British Waterways is made on behalf of the Lancaster Canal Trust, a Registered Charity (240957) by its Chairman David Slater and Hon Secretary, David Currington.

EXECUTIVE SUMMARY

2. In this submission, after giving details about the Trust, we seek to look at what has been achieved on the Lancaster Canal following the Governments initiative of 1999 to “Unlock the Potential” and by its paper “Waterways for Tomorrow” issued in 2000. In particular we will concentrate on the term of reference relating to “the financial framework” of British Waterways and the impact of changes in DEFRA’s budget.

3. We will illustrate the way British Waterways has worked in partnership with other bodies in order to fulfil its commitments as they relate to the Lancaster Canal.

4. Finally we will illustrate the effects on the future of the Lancaster Canal that our members feel will happen if funding cuts are made to British Waterways' budget

THE TRUST

5. Formed in 1963, the Trust’s main objective has been to restore, and reopen to navigation, the 23km of canal from Tewitfield, (north of Carnforth), to Kendal, closed by the Ministry of Transport during the northward extension of the M6 motorway, by culverting, rather than bridging, the canal in six places.

6. Additionally, the Trust supports the development of the whole canal from Preston to Tewitfield as a public amenity and seeks to protect the essential character of the Canal. As a result of the Trust’s efforts the following has been achieved in recent years:

- Many of the original structures have been protected.
- Further losses of cruising waterway have been successfully resisted, notably in Preston.
- Improvements have been made to the towpath by erecting interpretative panels at various sites along the canal.
- Several bridges have been restored with the active involvement of the Trust.
- Only last month a further 10 seats were installed at the Trust’s cost and opened to the public.
- A watching brief kept on all proposed developments which may have an impact on the Canal and the environment which it creates to ensure that its character is not disturbed.
RECENT GOVERNMENT POLICY

7. Since 1968 British Waterways has acquired several statutory duties:
   — The 1968 Transport Act gave a remit allowing it to develop the waterways' potential for leisure. It was envisaged that the bulk of the system should be kept for pleasure cruising.
   — The Act also required British Waterways to ensure that “cruising waterways” must be kept in a condition suitable for use by cruising craft, that is vessels constructed or adapted for the carriage of passengers and driven by mechanical power.
   — British Waterways is expected to promote the use of its waterways for leisure and recreation, tourism, regeneration, and transport while also conserving their build and natural heritage.
   — British Waterways has a duty under the British Waterways Act 1995 to have regard to the desirability of preserving public access to towpaths and to work successfully with a wide range of public, private and voluntary partners to provide such access and to attract funding for facilities for users.

8. In the February 1999 announcement about the future of British Waterways [Unlocking the potential—a new future for British Waterways 1999], the Government:
   — Recognised that the UK’s waterways were a valuable public asset, for too long starved of the resources needed by British Waterways to care for this national asset.
   — Announced an increase in Government funding to enable British Waterways to make faster progress in reducing the substantial maintenance backlog resulting from decades of under-investment.
   — Set out a package of measures, founded on partnership, to enable the full potential of British Waterways’ canals and rivers to be realised and to allow as many people as possible to enjoy and benefit from them.

9. In 2000, the paper called “Waterways for Tomorrow”, set out the Government’s policies for inland waterways. We would summarise some of those policies that have applications for the Lancaster Canal.

10. The paper recognised that the waterways now provided not only a major leisure and recreational resource:
   — they acted as a catalyst for urban and rural regeneration;
   — they formed an important part of our heritage; and
   — they made a valuable contribution to the environment.

All these points apply to the Lancaster Canal.

11. The Government stated it wanted to continue to maintain these improvements and would continue to:
   — Promote the inland waterway; encouraging a modern, integrated and sustainable approach to their use.
   — Protect and conserve Canals as a vital part of our national heritage.
   — Encourage the best and, where appropriate, innovative use of Canals, maximising the opportunities they offer.

12. The Government would:
   Leisure and Recreation
   (a) Encourage people to make use of the inland waterways for leisure and recreation, tourism and sport.
   (b) Support the greater recreational use of the waterways for all, including the towpaths and waterside paths, where practicable.
   (c) Encourage British Waterways to enter into long term voluntary arrangements with public, private and voluntary sector partners to improve facilities on the towpath for walking and cycling, and for other recreational users, where practicable.
   (d) Encourage navigation authorities to increase access to the waterways for the young, disabled and disadvantaged.
   (e) Look to holiday hire-boat operators to respond to customer demands and help contribute to the development of tourism on the waterways.
   (f) Encourage navigation authorities to work with Regional Development Agencies and local authorities in conserving and developing the waterways.
   (g) Promote the waterways as a catalyst for urban and rural regeneration. We look to the Regional Development Agencies to take account of the waterways in their strategies and to support worthwhile proposals for their improvement, development and restoration.
Urban and Rural Regeneration

(h) Be committed to urban and rural regeneration as the key to tackling the causes of socio-economic decline, exclusion and deprivation. The waterways can make a major contribution to this by acting as a catalyst for economic and social regeneration.

(i) Commit to the improvement of waterways and the redevelopment of disused and derelict waterside land which produces the following benefits:
— removes a potentially dangerous eyesore;
— it creates a pleasant place in which to live, work and play;
— attracts private sector investment;
— waterside businesses such as marinas, shops, pubs and restaurants create jobs and generate income from tourists and other visitors; and
— waterway-related property development can also provide additional income to support the publicly-financed waterways.

Transport

(j) Support the provision of passenger boat services on the inland waterways, wherever practicable and economic;

(k) Encourage the transfer of freight from roads to water-borne transport where this is practical, economic and environmentally desirable.

13. None of the above ideals can be achieved in the long term if the necessary levels of funding for British Waterways, which will be needed to finance the work, are not themselves secured on a long term ring fenced basis.

The Current Situation

Leisure and Recreation

14. Since 2000, British Waterways has worked to make the open section of the Lancaster Canal more attractive and accessible to the general public. As examples,
— Towpaths have been maintained and improved.
— Notice boards and seating erected; crumbling bridges restored.
— Much of this was in close conjunction with the Local Authorities, IWA, and our own Trust.

15. However the most dramatic work has been the construction (with the assistance of Millennium funding) of the Ribble Link, south of Preston. Opened in 2002, our Canal, for the first time in its history, was connected to the UK waterway network; canal users can literally go from London to the Lakes. This opportunity has been seized upon by a large number of canal users in recent years. Deprived of access to the Canal and anxious to explore the attractions of north Lancashire and the nearby Lake District there has been a noticeable increase in the use of the Canal and a consequential increase in business for local economies. Indeed there are currently new marinas and other boating facilities in the pipeline.

16. The Millennium Ribble Link is proving hugely popular. Boaters are recommended to book well in advance of when they wish to travel. The Link has proved a very good example of British Waterways fulfilling its remit to “promote the use of its waterways for leisure and recreation, tourism, regeneration, and transport” and to “form strong partnerships with the public, private and voluntary sectors” as the construction of the link and other improved amenities was carried out in partnership with The Waterways Trust, Lancashire County Council, and The Ribble Link Trust.

Urban and Rural Regeneration

17. The main aim of our trust is to reopen the 23km disconnected section of the Canal to its original source at Kendal. Recently this dream has moved a step nearer to fruition with the completion of the Scoping and Environmental Impact Assessment regarding the planning and design work for Phase 1 of the Restoration.

18. This was carried out by Messrs Arup in September 2006 at a cost of some £750,000. (The funds coming from Rural Regeneration Cumbria (£325,000), South Lakeland District Council (£325,000), Kendal Town Council (£15,000), British Waterways (£87,000) and the Lancaster Canal Trust (£5,000)). Having been out to local consultation, the results are awaited before Phase I (Kendal Canal Head to the Town outskirts) of the three phase £60 million project can hopefully begin.

19. The completion of the project will have a big impact on the Canal Head area of Kendal and the canal corridor leading south from the Town as follows:
— The provision of some 2000 permanent jobs in the Kendal and North Lancashire area, in addition to construction jobs.
— Restoration of some 52 listed structures.
— Additional tourist revenue of £14 million per annum.
— An additional 1 million visitors per annum.
— £45 million private investment.
— Bring 35 hectares of “brownfield” land into use.
— Provide around 620 residential units, 180 hotel beds, and 53,000 m² of gross floor space in retail, leisure, business and industry.
— Introduce and promote biodiversity, including the creation of new wetland habitats.
— Help to promote sport, recreation, arts trails, sustainable transport links, multi-user trails, and volunteer projects.

20. The currently derelict corridor will be regenerated by the restored waterway and associated towpath. New marinas may well be constructed just outside the town centre for boat owners to tie up and visit the town by public or water transport.

21. Planning applications are in the pipeline from private parties for housing development by the corridor. The regeneration scheme envisages large number of housing units being constructed including water front properties.

22. It is hoped that following full restoration operators of water taxis/buses will be able to operate between Lancaster and Kendal, with many stops in between. There has already been some tentative talk about possible quarry freight using the Canal.

23. The Restoration Project is being driven by a consortium of local bodies under the umbrella of the Lancaster Canal Restoration project (LCRP). They are The Lancaster Canal Trust, Lancashire County Council, Lancaster City Council, Cumbria County Council, South Lakeland District Council, Inland Waterways Association, The Waterways Trust, and British Waterways.

24. All the above does, we suggest, paint an optimistic future particularly following the restoration of the whole Canal. Its regeneration and preservation as national asset will be of benefit to both local communities and the nation at large. It fully complies with many of the Government policies set out above in the 2000 vision for our inland waterways—“Waterways for Tomorrow”.

25. It also demonstrates that British Waterways is currently complying fully, (within its current financial capabilities), with its own statutory duties and, much to its credit, is playing an important role in the aims and objects of “Waterways for Tomorrow.” Future cuts in funding may jeopardise British Waterways' effective compliance with its commitments.

THE FUTURE OF THE LANCASHIRE CANAL

26. The extent to which the current situation has evolved on the Canal is in no small part due to the increased investment given by the Government, the Millennium fund and other local bodies and agencies.

27. The increased usage we see developing on a Canal now open to the rest of the canal network; together with British Waterways' commitment to the partnership that is striving for the restoration of the closed link to Kendal, makes it vital that the Government continues to give its proper support by ensuring the certainty of future funding at current inflation protected levels. If all the commitments made in “Waterways for Tomorrow” are to be fully realised then year-on-year funding cuts will undermine all that has been achieved so far and it will appear to the general public that the Government has yet again reneged upon its promises. Investments in such a large national asset are not possible on a short term and fluctuating basis. Assets once renewed or added to must be maintained as any prudent business knows. To avoid or delay funding for planned and unplanned maintenance will lead to an increasingly rapid deterioration of the canals and their infrastructure.

28. How could funding cuts year-on-year lead to a quite drastic impact on the continued operation of our Canal; seriously undermine the improvements achieved with recent investment and negate all the visions and policies so laudably set out in 2000?

29. First of all we sense a period of uncertainty and reorganisation within British Waterways’ staff that do not necessarily improve our day to day contacts with them. This in no way reflects on the individuals but is an obvious outcome as they struggle to take on evermore work as individuals and with less money to allocate to their budgets.

30. Against this background we would mention the Lune Aqueduct. This crosses the River Lune just north of Lancaster and allows passage to the northern 3mile section of the open Canal. For a number of years there has been minor seepage from the canal bed where the aqueduct joins the soil embankment on both the north and south side of the structure. In March 2006 inspections of the structure showed that the leakage had become more pronounced. Temporary repairs costing in the order of £190k were completed, the canal reopened in late summer 2006.
31. British Waterways stated the need to affect more permanent and expensive repairs in a year or two. If funding cuts make this work impossible then the Canal could be closed at the Aqueduct. Many boats will be stranded in the northern portion of the Canal and there will be an immediate and drastic effect on the marinas, and other businesses operating in support of the Canal users. The impact will also be felt by those schemes currently in the pipeline for new marinas, holiday lodges etc. The waterbus that operates between Lancaster and Tewitfield will no longer be able to survive, (another of the Government’s visions lost). The gradual regeneration of the economy we are beginning to see this rural part of North Lancashire will be halted.

32. Next we must consider the Ribble Link. Not all maintenance and repair work is in the domain of old exhausted canal systems. New assets are also prone to troubles soon after commission. The Link has developed some faults, with the by washes and with again some voiding of the embankments. Currently British Waterways has placed some open-ended operational restrictions on the use of these locks which can now only be used when British Waterways staff is present. If the locks were to seriously fail due to lack of attention to these emerging problems then the Link could also close. Thus we would be back to having a Canal isolated once more from the rest of the system. Boats would again be trapped in the canal and the local economy would suffer at once from the inability of our new found users to get up to north Lancashire and spend their money. The knock on effect to the local economy would be perhaps greater than the Lune Aqueduct closure.

33. Finally, if any closures were made what would be the effect on the real goal of our Trust; the restoration of the closed canal up to Kendal. If British Waterways is seen to be unable to maintain and keep open the existing navigable part of their Canal then what hope is there for British Waterways’ effective participation in the partnership (LCRP) leading the restoration attempt. British Waterways was to put in some not small amount of funding; where will this come from in a climate of continuous cuts? This again will be seen as direct rejection by the Government’s of all its promises and commitments made in Waterway for Tomorrow’ calling for the restoration of our canals as a means of regenerating local economies in rural areas; and giving the opportunity to provide new housing and to promote water transport.

34. The Trust feels that the funding levels for British Waterways must be continued at levels needed for British Waterways to adequately plan for the effective maintenance of the canal system. As this system grows and grows, as we would wish, then funding will also need to increase in line with inflation in order to protect the growing canals which are part of our heritage and not be cut back as part of some short term politically driven financial strategy.

Lancaster Canal Trust

January 2007

Memorandum submitted by Save Our Waterways (BW 26)

INTRODUCTION

The Environment, Food and Rural Affairs Committee will inquire into the work of British Waterways, a Defra-sponsored public corporation and has invited submissions from individuals and groups of waterway users.

This submission has been compiled by the Steering Group of the Save Our Waterways (SOW) campaign, an independent group of waterways enthusiasts concerned about the funding levels announced by Defra.

In this submission, SOW offers the following observations on each of the specific points of reference identified by the Committee.

1. CURRENT USERS OF THE WATERWAY NETWORK AND THEIR RELATIONSHIPS WITH BRITISH WATERWAYS

<table>
<thead>
<tr>
<th>VISITS TO THE BW NETWORK—2005</th>
</tr>
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<tbody>
<tr>
<td>Walk, ramble, run for leisure</td>
</tr>
<tr>
<td>Dog walking</td>
</tr>
<tr>
<td>To get somewhere else</td>
</tr>
<tr>
<td>Cycling</td>
</tr>
<tr>
<td>Boating with engine</td>
</tr>
<tr>
<td>Visiting specific attraction</td>
</tr>
<tr>
<td>Other purposes</td>
</tr>
<tr>
<td>Fishing</td>
</tr>
<tr>
<td>Boating without engine</td>
</tr>
<tr>
<td><strong>Total Visits</strong></td>
</tr>
</tbody>
</table>
The above table (based on a British Waterways 2005 survey) shows a breakdown of how the waterway is used. When considering British Waterways and its users, it is important to understand that there are essentially three categories of user—Public, Leisure and Business, some of whom are actually customers.

1.1 Public Users

The general public are by far the largest beneficiaries of the waterways. The above table shows the vast majority (over 90%) of visits are from members of the public who make no direct contribution to the cost of the waterways.

1.2 Leisure Users

There are three categories of Leisure User. Of these, anglers and boaters, are actually customers, that is, users who make a direct contribution to the cost of maintaining the waterway.

(i) Cyclists, the largest users are subject to a licence, but this is free so BW derive no income from this popular activity. Given the number of cyclists, the associated wear and tear on the towpaths and the potential for interfering with the enjoyment of other users, we believe that ways need to be found to ensure that cyclists pay their way.

(ii) Anglers are subject to annual rod licences from the Environment Agency (EA). There is no evidence in BW’s Annual Report that it receives any benefit from this licence. The National Federation of Anglers estimate that 1.4 million anglers regularly fish the canals and it is SOW’s opinion that £500,000—less than 40p per angler per annum—does not fully reflect the value of the benefits enjoyed by the fishing community. We suggest that a proportionate amount of the annual rod license collected by EA from canal anglers (around £30 million) should be added to the funding that BW receives from Defra.

(iii) Boaters representing just 3.1% of user visits, contribute £16 million by way of craft licences and moorings to BW. There are currently 29,000 registered boats on BW waters and, assuming family ownership, that is equivalent to 100,000 users—£160 per boater per annum.

Most powered boats also contribute to BW, directly or indirectly, through payments for mooring space. Charges vary roughly in line with local property values, ranging between £750 and £7,500 per annum (average £1,000 and £2,000) per annum.

The £16 million direct contribution made by boaters provides 83% of BW’s total leisure based income, 15% of total direct income. Indirectly, boaters also contribute by purchasing fuel and services from BW’s business users.

1.3 Business Users

Business Users are companies providing services that require a connection to the waterway to function. BW derives income from these firms via rent, connection charges, percentage charges on turnover and boat licences. Businesses falling into this category include marinas, private moorings, boat yards, boat builders, freight carriers, hotel and restaurant boats and hire boat companies.

2. The Financial Framework of British Waterways and the Impact of Changes in Defra’s Budget

2.1 Financial Framework

The most recent policy review concluded that BW “exists to manage, maintain and develop its network of waterways and docks for the wider public benefit”.

SOW supports the concept that this brief includes the management of BW’s substantial property portfolio provided that there is a clear distinction between the core business and property-based and other commercial interests.

In our view it would be preferable to see the two parts of the business clearly presented as separate profit centres in the Annual Accounts.

The most recent Annual Report goes some way towards that aim by showing separate entries for income from Property, Leisure Uses, Commercial and Other Uses but there is no comparable breakdown for Expenditure.
Our concern is that many of the non-leisure income streams depend on a functioning waterway yet appear to make no contribution to the cost of maintaining the waterway in good condition. Examples of this are:

(i) The value of waterside property is dependent on the ambience generated by the canal.
(ii) Water sales would not be practical without a properly maintained network.
(iii) Fibre-optic cables could not be laid under poorly maintained towpaths.

These income streams are dependent on a well-maintained canal. In our view, the core business should charge the non-leisure divisions an annual fee that reflects this “cost”. Clearly, as the profits made on non-leisure activities contribute to costs this is happening in practice but, without a clear allocation, it is difficult to see the real cost of waterway maintenance.

2.2 Impact of Changes

SOW believes that the impact of the cuts imposed by Defra will have very grave consequences unless the previously agreed levels of funding are re-instated.

The key issue is preventative maintenance. The canal system is 200 years old. Any part of a structure of that age could fail at any moment. Each part—each bridge, lock wall, lock gate, aqueduct, canal bank, etc.—needs regular testing to ensure that it is still fit for purpose and, where necessary, subjected to the earliest remedial repair. This process is inherent to the nature of an asset of such age, particularly one that is subject to mechanical failure that could put the public at risk. Funding to optimum preventative maintenance should not be open to negotiation. Unplanned budget cuts mean that planned preventative maintenance is postponed with the result that structures are more likely to fail. Many house owners suffered the increased cost of delaying, for example, the replacement of a fence post when a storm blew the entire fence down. This Government has wisely invested significant sums in the waterways to remove the backlog of maintenance that had safety issues. There is still a backlog to the value of £119 million; each delay in removing this backlog increases the chance that these issues may become the cause of costly and, perhaps, even catastrophic failure in the near future. Catastrophic failure on a canal has a much more profound effect as, unlike a road repair diversion, a failure usually totally stops access to the network with devastating consequences to businesses that depend on a functioning waterway.

Defra insist that the cuts will not affect the integrity of the network; we ask, where is the evidence? This is such a fundamental point that we believe that BW engineers should be asked to present their analysis to the Committee.

Is Defra relying on BW’s management to ensure that the funds for essential maintenance will be obtained from other sources; such as the dismissal of 180 employees; and raising the cost of licence and mooring charges far beyond the rate of inflation?

3. Recent Developments in the Stewardship Work and Commercial Activities of British Waterways, including its Property Portfolio

We support BW’s involvement in the development of waterside property provided that there is due consideration for the heritage. There is certainly a huge amount of industrial wasteland along the canals that could be developed for the general benefit. There is still a shortage of long-term/permanent mooring on the canal and this, in our opinion, has raised the cost of moorings above their natural level. If BW is to continue to promote boating as a recreation, it is clear that it should also ensure that there are sufficient moorings available to accommodate the growing number of boats. BW has made moves to encourage third party investment in new moorings but some hold the opinion that the rising level of BW’s own “connection charges” is in itself a deterrent. Importantly, the unhelpful attitude of local planning authorities often frustrates the plans of BW and third parties to create more moorings. It seems that local authorities are happy to enjoy the benefits of a local waterway but not assist or contribute to its growth and well being. BW is both investor and landlord in the mooring/marina business in that they enjoy income from businesses connected to the canal system; one has to question whether this dual role tends to have a monopolistic effect on pricing.

4. Potential for Growth in Leisure and Freight of the Waterways Network

4.1 Leisure

Canal boating is a middle and working class recreation. The canals are not the domain of multi-million pound yachts. It is a recreation that is already growing to be expensive for the average family and increasing the cost of boating will only take it further out of the reach of those who are less well off.

There is potential for growth in the leisure sector but the increased boating costs being forecast could stifle this. As a direct result of the Defra cuts, EA have already announced a 38% increase in licensing fees and BW are threatening 30% over the next three years. The recent removal of the EC derogation covering the use of red diesel fuel for leisure boats will exacerbate this.
Currently, leisure boaters use the lower priced “red” diesel for propulsion. The EC have now refused Government’s request to continue this practice and so recreational boats will have to use fully (road) white diesel as a fuel for propulsion. SOW believes that this will have a profoundly negative effect on the marine pleasure industry. It is generally recognised that it will be expensive to implement and impractical to enforce.

It is estimated that the increased income to Government arising from the higher duty will be around £7 million. The main argument for the use of red diesel is that leisure boating should not be making a contribution to the costs of road use. As the EU has rejected this argument, SOW proposes that the additional duty from the switch from red diesel should be ring-fenced as additional grant-in-aid for the navigation authorities who should apply the funding against the cost of licensing. This mirrors the action taken by other countries in Europe.

4.2 Freight

The waterways are at stage of development when a re-growth of freight on the canals could well happen, given the right opportunities. This is being encouraged officially as it will simultaneously reduce road congestion, atmospheric pollution and fuel consumption. The fuel used by barge traffic is very much less per ton per mile than the equivalent figures for road transport. But freight traffic requires a higher standard of maintenance to be in place, especially in the matter of dredging. Loaded vessels work at significantly greater draught than pleasure craft. We fear that if BW is forced to reduce its maintenance budget then the full potential for freight carriage will not be realised.

5. RELATIONSHIPS BETWEEN BRITISH WATERWAYS AND CENTRAL GOVERNMENT DEPARTMENTS, REGIONAL DEVELOPMENT AGENCIES AND LOCAL AUTHORITIES

We are extremely concerned about the relationship between BW and Defra. The restrained nature of press releases issued by BW suggests that they are unable to voice their true concerns about the cuts.

On one hand Government have charged BW with the task of ‘ensuring the network’s structural integrity and safe use’ and on the other it appears that the working relationship with Defra restrains BW from defending its own case in public. This is not, in our opinion, a good example of “Open Government”.

In the light of the very significant level of public and cross-party criticism of the cuts, it seems likely that the political futures of Ministers in charge of Defra could be at stake. In our view, this presents a very real danger of a conflict of interest arising.

We must also question whether Defra is the correct Department for BW. As was pointed out by more than one speaker at Sir Peter Soulsby’s Adjournment Debate, the activities of BW cross the disciplines of many Government Departments. BW’s activities are primarily a service to the community and that should be the guiding influence in deciding where they belong in Government.

BW provides easily accessible recreational facilities to millions of citizens by the very dint that the 2,200 mile network passes through so many different communities. In doing so, BW brings business to those communities, maintains towpaths for walkers and cyclists and dredges canals for boaters and anglers alike.

It is easy to argue that by bringing these resources to the community, future funding might include a contribution from local and district councils. Clearly, activities like dredging are primarily in the interests of boaters and anglers, but the £3.7 million spent on towpath maintenance has a clear local benefit.

Many of the rubbish collection points along the waterway are paid for by BW rather than by the local authority that has enjoyed the economic benefit of purchases by visiting anglers, boaters, cyclists and walkers.

With this in mind, SOW are of the opinion that the Nation’s greatest linear park would be best served by being put under the stewardship of the Department of Communities and Local Government.

6. FURTHER POINTS

About 250 Parliamentary constituencies have inland waterways within their boundaries. Some 200 MPs, not all “riparian”, have signed one or more of 6 Early Day Motions (EDMs) that oppose the cuts. Many more MPs have expressed support without signing any of the EDMs.

The attendance at Sir Peter Soulsby’s Adjournment Debate—despite clashing with the Chancellor’s budget speech—was one of the best attended in recent history. It was also notable for the sheer quality of the debate.

This is clearly an issue that has attracted wide cross-party support, with MPs of all parties condemning Defra’s decisions. Surely, so many Parliamentary colleagues, a majority of those with direct experience of the contribution that waterways make to their communities, cannot be wrong in their belief that the cuts are a mistake.

In the larger picture of Government budgets, or even Defra’s budget, the amount of the cuts to date (£7.4 million in 2005 and, more ominously, a lower base for 2007–08 and beyond), is small change.
If the lower base (£55.5 million) announced by Defra for the year 2007–08 is held for the next Comprehensive Spending Review, we fear that the cumulative effect on maintenance will put the safety of the waterway network at great risk; a risk far too great to be borne by BW on the limited budget to which it has been committed by Defra. Pound wise, penny foolish is a phrase that comes to mind.

As a final point, while we see the benefits of keeping BW’s status as a public corporation, we do question the way that BW’s financial future is openly vulnerable to political whim and misfortune. It cannot have escaped anyone’s attention that the losses incurred in relationship to management issues in one part of Defra are being recouped by spreading the financial burden to a number of completely unrelated areas of its domain.

As was raised at BW’s AGM by more than one observer, the time seems to be ripe to reconsider the suggestion that all the navigation authorities of the inland waterways should be combined into one organisation. Several experts believe that such an action would result in a number of economies of scale and improved operating efficiencies and SOW would like to see this option re-examined.

7. **Summary**

1. Most users contribute little or nothing to the cost of the waterways.
2. Boaters contribute more than their share and as this contribution is forced upwards there is a risk that the number of boaters will decline.
3. Preventive maintenance should not be compromised.
4. The rules of subordination between Defra and Public Corporations like BW need scrutiny.
5. Ways to share costs with local authorities should be investigated.
6. A share of the income from rod licences should be received by BW.
7. The shortage of moorings is a key issue.
8. Waterways authorities should receive a lion’s share of the additional fuel duty that arises from the change from red diesel.
9. BW are a small part of Defra, with a really very small cost base, but those costs have a significant effect on the quality of life for millions of people.
10. Investment in BW has produced a return of over £6 billion in urban regeneration.

However, the most immediate task is to set in motion a mechanism by which BW receive sufficient grant-in-aid that is ring-fenced until at least 2012, the date when BW’s own (pre-cuts) projections indicate they would be largely self-sufficient.

*Save Our Waterways*

*January 2007*

**Memorandum submitted by Howard Dickenson (BW 29)**

1. I would like to make a brief contribution to this important discussion.
2. Recent cuts in British Waterways funding—as a result of incompetence elsewhere—have, however unfairly, only served to highlight the plight of the waterways. The canals are a crucial part of the character of innumerable Conservation Areas and add interest and activity to not only historic centres but also to new developments which are in part stimulated by water frontage.
3. As a result of the “cuts”, boaters are being asked to pay charges increased by far more than inflation and it seems that BW are frantically searching for someone to pay for the mistakes of others. Regardless of the latest round of cuts, BW’s management has retreated more and more into centralised offices, becoming increasingly detached from the key staff who really operate the network. They have insufficient funds for decent maintenance, yet many opportunities to sell or re-develop land remain unexploited.
4. A trip along the canal system, shows the general level of decay—many locks are difficult to operate and particularly along the Llangollen Canal, banks have collapsed and stone edgings lurk in the navigable channel.
5. This is not the place for detail, I quote these examples simply to make the point that there are many missed opportunities. Near my mooring, a beautifully restored canal basin has been lying empty for six years, with no moorings permitted in it—this at the same time as we are told that there are no funds to repair a Listed dry-dock opposite (now closed because a small amount of Health and Safety work is required.) There are plans to do this, but no dates are given.
6. The point is, if I personally know of such missed opportunities, there must be similar examples of non-management all around the system. A group of us have made repeated offers to invest in the place where we moor, but we meet with a wall of silence—this from an organisation which says it is short of funds.
7. Local management via Trusts or on-the-spot officers, with length-staff empowered to do what needs doing, accompanied by a cull of centralised office staff, seems to me to be the way forward if we are to avoid a railway-type nightmare of years ago, of run-down, under-maintained facilities. I should say that the on-the-ground staff, especially the seasonal staff at key points on the system, are invariably helpful, knowledgeable and an invaluable asset to the operation of the network. Maybe this is a system which could be expanded to advantage. There are a large number of “retired” people with skills who are, I am sure, able to help in the management of the system with a wide range of skills.

8. At the same time as voluntary groups are restoring canals by sheer hard graft ( I am not one of their number), the professional side of the network management is letting the system slide—it seems often through sheer inertia. Some wonderful restoration work has been done—and the Falkirk Wheel is a remarkable reminder that there is still world-class engineering skill in the UK, but for every success there seems to be a catalogue of failure.

9. I do hope that this Review will produce a radically different management regime—not a crude selling-off of assets, but a transparent system, with proper involvement of users of all kinds (boaters are the minority after all) who will be able to make sure that the current sleepy regime which was, after all, first set up to shut the system down, is properly monitored as it struggles to look after a priceless asset to tourism, the countryside, heritage and which gives sheer pleasure for millions of people whether they be jogging, cycling, boating, or simply feeding the ducks on a Sunday morning.

Howard Dickenson
January 2007

Memorandum submitted by the Historic Narrow Boat Owners Club (BW 31)

1. The Club represents the owners of Historic narrow boats; mostly traditional craft that were originally built as cargo carrying boats, tugs and other commercial vessels used on the canals. As a consequence the club has a particular concern to preserve the historic and heritage features of the waterways system which we believe to be under threat by the financial and management pressures faced by British Waterways following the DEFRA cuts.

2. The Club is of the opinion that the year-on-year cuts to British Waterways’ (BW) grant-in-aid would affect their ability to maintain the waterways in a safe and useable state now and in the future. Even in their present state, the waterways managed by BW still needs significant investment to bring them up to the standard we would expect. Considerable sums of money need to be invested in order to maintain and improve the navigable state of the network. We identify a number of examples later in this submission.

3. We have a particularly grave concern that DEFRA and the Government in general do not understand the value of the canal system as a national environmental and historic asset. The waterways of England made a major contribution to the development of this nation as the world’s first industrialised country. It is an essential part of our history and heritage and it is inconceivable that any government should condone an erosion of this key national asset. Everywhere dotted around the canal system are examples of British engineering and technical prowess. British Waterways are the custodians of this history for the nation and need the recognition by government of this key heritage role. The kind of cuts that are being made are certain to reduce their capacity in this area. It has long been the opinion of the Club that DEFRA was not the right Government Department for British Waterways to be in, and the current funding crisis highlights this view.

4. The Club considers the move to make BW “self sufficient” (as suggested by Waterways for Tomorrow published in 2000) to be a serious error. The more that BW is forced to rely mainly on its property portfolio in order to survive, the more likely it is that short term commercial factors will erode these assets. As an example we would cite the proposal to convert the unique warehouse halfway down the Marple flight in Cheshire into a nightclub as being totally inappropriate despite the financial attraction of doing so. Other offers by canal orientated businesses to use this building have been turned down, presumably as they would not generate sufficient income. It is generally accepted that major museums, libraries and other national treasures will always require an element of government funding and this equally applies to the canal system (the country’s largest interactive “museum”).

5. Waterways are an important part of our local environment as they provide space for people and wildlife in busy urban areas as well as in the countryside. The leisure value of the canals is clear to the many people and families who use the towpaths for walking, cycling, fishing and generally observing nature. How is this going to be funded under a self-sufficient policy? Shall we see entry charges to the towpaths? Recent figures announced by BW show that of 297.2 million visits to the waterways each year, 277 million visits are made by casual visitors, walkers, runners, dog-walkers, cyclists, etc, who do not make a direct financial contribution—nor should they. Therefore we consider that Government should continue to contribute significantly to the upkeep of this national asset.
6. The Club has built up a good relationship with British Waterways over the years and in general we have shared the goal of maintaining the waterways system as effectively as possible. Since the DEFRA funding cuts and subsequent job losses and re-organisation within BW, there has been a noticeable drop in morale amongst BW staff, both in the offices and on the bank. Furthermore, with the recent loss of so many experienced and long serving staff, caused by the cuts, there are increasing signs that the level of knowledge and expertise among BW managers is declining and is resulting in poor decision making leading in turn to the imminent loss of, or danger to, historic buildings and structures. Recent examples of this include the demolition of Longhorse Bridge at Shardlow; the demolition of the FMC warehouse at Wolverhampton and the loss of the historic integrity of a turnover bridge in Nottingham. A recent example of poor consultation with local waterway users is the proposed siting of large and inappropriate objects of modern art on the canalside at Stockton Brook on the Caldon Canal.

7. The Club feels that the above type of incidents have often been as a result of lack of knowledge and appreciation by BW employees of the historic integrity of the waterways. As well as historic canal-related buildings themselves, the Club is also concerned over the loss of traditional features and lock furniture, which in themselves tell the story of how the canals were worked.

8. As another consequence of the cuts BW has just announced its intention to disband its national Freight Department, leaving freight to be promoted by individual waterway units. In the past waterway managers have been decidedly unenthusiastic about commercial traffic opportunities on some waterways, the rivers Weaver and Trent are just two examples, both designated as commercial waterways. The Club does not have confidence that individual waterway units would actively promote and enable freight opportunities to any great extent.

9. The impact of the recent cuts to BW’s funding from DEFRA is far reaching. There are hundreds of examples around the BW waterway network of structures which are currently in need of essential maintenance work. Much of the maintenance work planned for this winter (06/07) has been cancelled as a direct result of the cuts to BW’s grant-in-aid.

10. Specific examples of structures that are in imminent danger of closing if they do not receive the remedial attention they require are:

   — Netherton Tunnel, where a planned stoppage for maintenance and investigatory works has been cancelled. It is understood that the tunnel invert is suffering from ongoing movement, with the result that the twin towpaths along each side of the tunnel have had to be closed. Although the tunnel currently remains open to navigation, if the movement should worsen resulting in the closure of the tunnel, a vital link between the southern section of the Birmingham Canal Navigations and the central route through the BCN from Wolverhampton to Birmingham would be lost. This would affect waterside businesses on the south side of the tunnel, as well as leisure use of the waterways in this area.

   — Following restoration and the reopening of the Rochdale Canal in 2002, there have been numerous temporary closures due to breaches on embankments and lock failures. There is continued danger of embankments breaching, which remedial attention would help avoid, but because the works are “precautionary” rather than “emergency” the work has been postponed.

   — A planned stoppage this winter at Denham Aqueduct on Grand Union Canal has also been postponed. If this aqueduct failed, the potential damage to not only canal structures but also the homes and businesses of the town of Uxbridge would be considerable.

   — A failure (at least three years ago) of the smaller of the two locks at Vale Royal on the River Weaver has still not been fixed, it now looks likely that the works required will not be undertaken in the foreseeable future. The affect of this is that access through the very large ship lock is only available at restricted times and requiring attendance by BW staff, reducing the number of boats using the upper part of the river.

   — Lack of Dredging—many waterways across the network require dredging, which these days is expensive largely due to the cost of disposing of the dredgings. The cuts in funding mean that less of the much needed dredging will be able to be carried out in future. Just two examples of where dredging is urgently needed are: River Weaver, where dredging of the upper part of the river would enable a new freight traffic to be undertaken; C Aldon Canal, where modern pleasure boats as well as our members’ deeper-draughted working boats, are finding the journey along this canal less and less pleasurable as they experience difficulties getting stuck, even in the middle of the channel!

11. If money cannot be found now for remedial works (and with the on-going cuts it will not be so in many cases), where is the money going to come from in the future to restore structures that have failed?

This submission is from the Historic Narrow Boat Owners Club. The Club’s aims and objects are:

   — To encourage the preservation, restoration and use of working and ex-working narrow boats.

   — To promote the maintenance of the waterways system to a standard suitable to facilitate the navigation of such boats throughout the year.
Memorandum submitted by the Association of Inland Navigation Authorities (AINA) (BW 33)

SUMMARY

1. AINA welcomes the Inquiry and the opportunity to input to it.

2. The content of this submission is summarised in the following points:
   - The inland waterways are a priceless asset for the nation. The role they can play in improving people’s well-being and quality of life by contributing to vibrant and sustainable communities and economies on a local and national scale has become much more recognised in recent years, not least due to the work of British Waterways which has delivered excellent value for its grant-in-aid.
   - The Government’s policy document, Waterways for Tomorrow is excellent and is as relevant today as it was when it was launched in 2000. It is vital that the Government does not lose sight of the value of this policy document.
   - It is vital that Government funding for the waterways provides an adequate and predictable basis for their considerable successes over recent years to continue.
   - The current cuts to British Waterways (and Environment Agency) budgets are significant and could start a negative spiral which leads to escalating infrastructure risk; thereby reversing the trend in growth and renewal that has been so evident over recent years and wasting the public money that has been invested over that period of time.
   - The financial framework within which British Waterways operates needs to be reviewed in order to help it become more self-sufficient.

ABOUT AINA

3. The Association of Inland Navigation Authorities (AINA) is the industry body in the UK that represents those organisations which have statutory responsibility for the management and operation of navigable inland waterways. AINA currently has 21 Full Members who between them have responsibility for some 5,000 km of navigable waterway, representing almost a complete UK coverage.

4. AINA’s Members are drawn from the public, private and voluntary/charitable sectors. They include the two large publicly-funded navigation authorities (British Waterways and the Environment Agency) in addition to the Broads Authority and other national park authorities, local government authorities, private canal companies, internal drainage boards, and a number of public and charitable trusts.

5. While each Full Member has its own constitution, aims, objectives and Acts of Parliament regulating the operation of its waterways, the resource capabilities available to them in financial and human terms vary enormously, with a small number of them operating almost entirely on volunteer effort.

6. AINA was formed in 1996 with strong encouragement from Government to provide, for the first time ever, a single voice on waterway management issues. The broad purpose of A INA is to facilitate the management and development of the inland waterways as an economic, environmental, recreational and social resource.

7. Within this broad purpose, AINA’s key strategic objectives are to:
   - develop, share and promote good practice for waterway management and operation;
   - deliver harmonised management approaches and seamless standards of service to waterway users nationally; and
   - represent the collective views of navigation authorities to Government, regulators, other policy makers and stakeholders.
8. The work of British Waterways (BW) over the last decade or more has contributed hugely to the high public profile that the inland waterways have today, and the increasingly recognised and understood role that waterways can play in improving the well-being of communities and people’s quality of life.

9. It is remarkable that after 40 years or so of inaction and abandonment, resulting in a network of desperately poor condition BW, with support from Government and a diverse range of partners has, after only relatively few years through a well-organised and (crucially) adequately funded approach, delivered for the nation the priceless asset of a 2,200 mile network of waterways. The waterways are a catalyst for many benefits—they are now contributing to all kinds of regeneration work in urban and rural settings. They are now seen as a valuable component of the landscape, as places of rich biodiversity, of great cultural significance and providing for wide-ranging leisure and recreation amenities.

10. BW itself as an organisation has also been transformed since being established as a nationalised industry in 1963. Rather than managing decline, BW today champions growth and renewal. Over the years it has demonstrated world-class expertise in waterway management and has provided increasingly good value for money for its grant-in-aid from Government.

11. The list of BW’s achievements, particularly since 1997 are well documented and its initiative and the proactive manner in which it has worked provided an incentive for the Government to prepare and publish in 2000, Waterways for Tomorrow, the first policy document for the nation’s inland waterways for over 30 years.

12. Waterways for Tomorrow is a well constructed policy document that is forward-thinking and presents great opportunities to promote the inland waterways by encouraging a modern, integrated and sustainable approach to their use. It sets out the view of Government which (at that time) recognised that the myriad uses of the waterways are complementary and that it is possible to accommodate them all. As such, Waterways for Tomorrow was very much welcomed by navigation authorities, waterway users and other stakeholders alike and, in the years since its launch, has been the reference for a great many initiatives of both large and small scale by British Waterways (and other navigation authorities) which have delivered and continue to deliver tremendous social, economic and environmental benefits for local communities and for the nation as a whole.

13. However, the scale and timing of the cuts to BW’s grant-in-aid announced by DEFRA in 2006–07 and the indications from DEFRA of continued cuts in funding for future years based on the lower baseline for grant-in-aid established this year have cast the policies enshrined in Waterways for Tomorrow in serious doubt. The cuts penalise a successful and well-run organisation. They are a major setback to the associated leisure and tourist industries and put back progress on urban and rural regeneration projects, on projects that are aimed at extending biodiversity, and place some waterways in a vulnerable position.

14. Since the funding cuts were announced by DEFRA, BW has cut back on maintenance, cancelled scheduled engineering works and announced the loss of 180 jobs. The severity of the cuts will inevitably require BW to reduce the maintenance of structures that in many cases are 200 years old—some of which perform duties way beyond those for which they were originally designed and built (such as to alleviate flood risk)—and cope with large increases in boat movements and moorings. Despite having dealt with a massive safety backlog with significant Government support over recent years, BW still has £119 million of outstanding maintenance work to do. If that work is not done, the waterway infrastructure will deteriorate.

15. The money cut from BW’s grant-in-aid is not only important in itself, but would have been used to lever in at least as much again from Europe, local and regional government, Regional Development Agencies, charitable organisations and the lottery. BW’s achievements in recent years have been characterised by attracting funding on a scale that has delivered high-profile projects such as the restored historic waterways link between Edinburgh and Glasgow including the Falkirk Wheel. Government support, through grant-in-aid, has made possible not only new developments like this, but also the restoration of amazing and historic engineering structures, such as the Anderton Boat Lift. Both of these projects have delivered iconic visitor attractions and are now major contributors to each area’s economy. However, there are many more examples of projects where the waterways have been the catalyst for third-party investment in order to successfully deliver sustainable social, economic and environmental benefits.

16. Just as BW’s grant-in-aid provides leverage of additional funding, so its loss is multiplied and the opportunities for leverage are lost. The suddenness of cost-saving measures that BW has had to put in place could jeopardise some projects as it has resulted in dangerously short lead-in times for BW in respect of making bids for third party funding. Today, some waterway restoration and regeneration projects may be at risk because, although plans for their completion may be in place, they need BW’s funding previously anticipated in order to attract the contributions of others, rather than the reduced funding that is now threatened. Such projects cannot afford to suffer from a loss of confidence on the part of potential funding partners, and in each case BW will have to consider carefully the risk of progressing the work.

17. So the waterways have, in one way or another, been recipients of enormous amounts of public money. BW (and the Environment Agency) has received not only the direct grant-in-aid from Government, but in many cases considerable third party contributions. Scaled-back infrastructure maintenance as a result of
DEFRA’s budget cuts risk undermining the effect of spending that public money. There is a risk that the cuts could mean not only that the waterways network will not improve further, but that it will decline, and that money invested hitherto will be wasted.

18. The considerable gains of recent years must not be lost. The funding cuts announced by DEFRA must not be allowed to start a negative spiral which leads to escalating infrastructure risk.

19. Aside from reducing considerably the proposed funding cuts to BW for 2007–08 and beyond, DEFRA can assist all navigation authorities (not just BW) by facilitating the industry’s efforts to minimise costs associated with complying with a burgeoning amount of legislation that affects the waterways. Obviously, all the navigation authorities are looking at areas of increasing their own income whilst at the same time reducing costs, but due to the antiquated legislation that applies to inland navigations, and the draconian effect of new regulations, the ability to increase income is much diminished as against a rising tide of regulatory costs. BW directly and the industry through AINA are willing to assist DEFRA in identifying pragmatic and effective solutions.

20. BW cannot absorb budget cuts of such severity and suddenness without the effects being felt by waterway users. For example:

- Boat licence fees will necessarily increase. Many boat owners cannot afford even the current licence fees, never mind the levels to which they would need to rise if BW had to recover a significant proportion of what it is may lose from those owners who are priced off the waterways. In its inquiry into the inland waterways in 2000, the then House of Commons Environment Transport and Regional Affairs Select Committee agreed that, “...it is not feasible to substantially increase the contribution from boaters and other leisure users.” Sharp rises in boat licensing may have the effect of reversing the growth in boat numbers there has been in recent years on the BW network.

- Infrastructure maintenance arrears may grow putting pressure on the increasing level of service expected by many leisure users following major advances made by BW in recent years in respect of improving access to the waterways and their facilities for all people in society. With 300 million visits a year to BW’s waterways the obviously large potential for growth in leisure and recreation must be realised and not jeopardised by under-investment.

- Restoration schemes may be curtailed with a risk of losing the enormous contributions made by volunteers all over the country. Such schemes benefit from a huge amount of volunteer good will, but if people are upset and good will is taken for granted, it will discontinue.

- And, in extreme cases, canal closures may be required as a last resort.

21. In recent years, BW’s engagement with waterway users and stakeholders has improved significantly, not least through its new policy of promoting openness and accountability. Such an approach is hailed as a model for the smaller navigation authorities in terms of good governance. The challenges associated with such severe budget cuts will inevitably require the new representative forums and channels for communications to function extremely well if BW is to meet rising customer expectations.

22. BW’s stewardship work in recent years has been outstanding. As has already been said, it harbours world-class expertise in waterway management and operation to deliver wide-ranging social, economic and environmental benefits. BW is a leading partner in AINA through which industry-wide best practice is developed and promoted and harmonised management approaches are adopted by navigation authorities in an attempt to provide seamless standards of service to waterway users nationally; thereby enhancing the potential for leisure and freight use of the waterways.

23. However, the loss of jobs representing loss of experience in the multitude of waterway operations and in building partnerships and getting matched funding will be sorely missed. Such expertise is vital not only to ensure that necessary waterway maintenance is carried out, but also to encourage tourism, visitor attractions, social inclusion, and all the other wide-ranging benefits that waterways offer society.

24. Over recent years with Government funding, BW has been able to clear a massive backlog of safety-related repairs to its infrastructure. Across its 2,200 mile network, BW had a huge number of structures, many of which are now over 200 years old, which had fallen into a dangerous state of ill repair, threatening property damage and, in some cases, injury or death to users, volunteers or professionals on the waterways.

25. Today BW has a reputation as an effective organisation that delivers what it promises and provides excellent value for its grant-in-aid. Indeed, BW has delivered everything that it has promised in relation to its stewardship role and much more. Its successes have been achieved through its own entrepreneurial flair and not just through financial support from Government. BW has proved itself a dependable partner to local government, Regional Development Agencies and voluntary groups of enthusiasts. It is crucial that Government funding provides an adequate and predictable basis for this success to continue.

26. BW has also more than proved itself in recent years in innovative partnerships with the private sector. The use of towing paths for laying optical fibres has been highly successful but now seems like old news. More recently BW has entered into a number of joint ventures with the private sector—namely ISIS, Pub Partnerships and Watergrid—mostly with considerable success. In 2004–05, BW earned just under £100 million through trading. That was its highest ever figure, and it accounted for more than half of its total income. BW’s trading income has tripled over the last seven years, representing a remarkable achievement.
27. As BW’s direct maintenance costs receives only a 13% contribution from leisure use; i.e. boating (80% of the users of waterways is by walkers, cyclists, anglers, ramblers and canoeists which cannot be charged), commercial joint ventures with the private sector must be an essential and increasing part of BW’s future. However, as has already been said, private sector money for development will be levered in only if partners are confident that the overall funding framework of the waterway environment is sustainable.

28. In the time leading up to the 2012 Olympic Games huge opportunities exist for the waterways in East London to be developed and demonstrated in terms of their full potential for leisure and freight use and as catalysts for regeneration. Confidence in the waterways to deliver these benefits must not be allowed to diminish at all.

29. But BW is constrained in its commercial operations by its legal framework. It remains a public corporation and it is subject to the statutory constraints of a public corporation. Most notably, as a public sector body, it has constrained borrowing powers. Importantly, BW needs to be able, as a minimum, to use its expertise to invest in property beside waterways other than its own.

30. One approach would be to give BW a legal status that permits it to make full use of its assets, without having to necessarily rely on the partnerships that are such an essential part of its current fundraising mechanisms and which it has used so creatively. This would also allow BW to undertake waterside regeneration and property regeneration in the vicinity of waterways other than those operated by BW. The ability to borrow commercially to maximise its opportunities for investment would also be of great benefit in helping BW towards its stated objective of self-sufficiency throughout a well-managed and financially controlled timescale, although there is no suggestion here that BW should not absolutely remain in the public sector.

31. Use of the Regulatory Reform Order process along with provision in the Legislative and Regulatory Reform Act 2006 may be explored to effect this. In so doing it may be possible to consider the needs of some smaller, independent navigation authorities who are severely constrained by their archaic enabling legislation which prevents them from levying reasonable fees and charges to users of their waterways.

32. The benefits that the waterways offer to society are highly consistent with the Government’s agenda for urban and rural regeneration, improving the natural and built environment, providing for safe leisure, recreation and commercial operations, and encouraging healthy lifestyles and vibrant communities. Therefore, it could reasonably be argued that any of DEFRA, DCLG, DCMS, DfT or even DTI should provide a home for BW because many of its outputs relate to those Departments.

33. However, The danger of putting BW exclusively in the charge of one Department is that the benefits delivered, and the opportunity to create greater benefits through innovation are not fully recognised or exploited. Ideally, what BW needs is a clear long-term contract across Departments, rather than being expected to meet the objectives of many Departments while its funding is dependent on a single Department. At the very least, the waterways and their potential need to be championed right across Government. In that way, Government can properly honour its commitment to the benefits of inland waterways in terms of leisure, recreation, heritage, environment and the regeneration that is of such importance to the economy, both locally and nationally.

Association of Inland Navigation Authorities (AINA)

January 2007

Joint memorandum submitted by UNISON and the Transport and General Workers Union (BW 34)

EXECUTIVE SUMMARY

1. There is concern among the membership of both trade unions that the organisational changes since 2003 have distanced British Waterways (BW) from its customers and that the manner in which BW chooses to implement change has reduced staff commitment to BW, impacting adversely on those relationships.

2. The trade unions would welcome moves towards a longer term funding horizon, believing this is a key requirement for any stable well run organisation. BW has demonstrated its ability to deliver real benefits when funding levels are adequate. It seems grossly inequitable that these delivered benefits are now in jeopardy due to matters outside the control of BW. We believe the reduced funding levels allocated to BW from Central Government will directly impact on BW’s ability to successfully manage the network.

3. BW’s commercial record is not impeccable. We do not see any clear measurable benefits form the transfer of BW’s public property assets to the private sector through the mortgaging of BWs investment portfolio as a means to circumvent PSBR limits when the real obstacle seems to be the investment policy restrictions imposed on BW.

4. The actions taken by BW following the in year grant reductions do not appear to support government policy in several areas including leisure and freight. We would have preferred to see a more inclusive review of BW activities to support the changes required in response to the grant cut.
5. With the loss of over 100 posts in addition to 12 senior managers and the closure of one office the unions believe this can only impact negatively on BWs relationships with other public bodies and its sponsoring department. The unions remain concerned at the impact these grant and job cuts will have on remaining staff and believe this can only further undermine external relationships.

1. INTRODUCTION

1.1 This submission is from the only two trades unions, UNISON and the Transport and General Workers Union (TGWU), recognised by British Waterways (BW) for collective bargaining purposes for all salaried staff below Senior Manager levels within BW. The submission has been prepared in response to the press notice, number 08, session 2006–07, dated 1 December 2008.

2. CURRENT USER RELATIONSHIPS WITH BRITISH WATERWAYS

2.1 Current users fall into many categories, both business and individual, paying and none paying, as well as the wider social and environmental impacts of BWs activities. We believe, based on informal feedback from our membership who handle day to day relationships many individual customers and smaller companies were alienated by the 2003 decision to close many smaller local offices. Some smaller local offices, with no direct relationship with the waterways. Many of those redundant offices remained empty or at best underused for many years, some still do. Now that promoting tourism is not seen as a BW function many of the locally produced information leaflets will cease to be produced shortly.

2.2 In considering relationships the joint trade unions are concerned that there appears to be no consideration of the internal relationship between BWs management and its staff, and the impact this has on all other business relationships. For example, levels of job satisfaction, after hitting lows following the 2003 reorganisation measured in the 2004 staff survey, and slight recovery in 2005 were again falling in 2006 prior to the current difficulties. The employees, although small in number, who expressed the view they were “not at all motivated” in 2006 was up by 50% on 2005 results, and could be heading back to the high 2004 post reorganisation levels of de-motivation as measured in those same surveys. Whilst we accept issues of management style are not explicitly defined within the terms of reference we believe they do impact materially on the deliverability of every aspect of BWs external relationships. For example, despite numerous verbal requests at consultation meetings, BW has given no detailed indication for remaining staff of what will cease to be done following the job cuts to ensure their already high workloads remain realistic and deliverable.

2.3 There is a concern amongst canal bank staff, in daily contact with all users, that shortly to be introduced working practices, barely proven in a short trial, out of season, on a lightly used, rural, remainder canal, will have the opposite impact of what is intended in some areas; that is it will put customer service second to their newly defined principal activities for many of them. At present practically all staff see customer service as integral to their job, but if in future pay and reward is to be measured firstly on their principal team activity it may not remain so.

3. FINANCIAL FRAMEWORK AND BUDGET CHANGES

3.1 The joint trade unions support a move towards a longer term funding horizon, such as was enjoyed in the post millennium period. Like any business security of income is vital for long term stability and effective planning for the future. The dramatic impact of this “in year” grant cut on business performance, and consequent actions, on morale cannot be over stated. We feel this has been exacerbated by BW managements’ approach to addressing the issues arising. We hoped that the unique, circumstances of 2006 year would not be allowed to cloud the wider issue of longer term funding. BW has demonstrated its ability to manage in times of planned increased funding since 1999. We do not believe these benefits can now be secured with the anticipated levels of grant funding going forward, which the unions believe leave a relatively small organisation vulnerable to further reductions. We are extremely disappointed that BW’s Defra Grant for 2007–08 has not been restored to that originally announced for 2006–07. The figure announced for 2007–08 by DEFRA is £57.5 million compared to BW’s original budget for 2006–07 (pre the cuts) of £62.5 million.

3.2 At a time when the BW group is sitting on a tens of millions of pounds of capital in the bank, raised largely through property transactions, the unions remain unconvinced of the benefits of transferring a large portion of BWs property portfolio out of direct public ownership in to quasi private ownership in order principally to mortgage it. The principal obstruction to better performance from the BW property portfolio appears to be restrictive investment policies and it is these that need addressing before moving towards back door privatisation of these public assets, which underpin a unique part of our industrial heritage, which his now a vital leisure resource.
4. Commercial Activities

4.1 BW does not have an exemplary record in the area of its commercial activities. For example its “Watergrid” and “Waterscape” joint ventures/subsidiary companies designed to move water and operate an online travel and leisure website respectively have floundered and been brought back in house and reverted to core activities. Its last published accounts for 2005–06 show a profit before tax of £200,000 from all of BW’s subsidiary, joint venture, and associated undertakings, in 2004–05 this was a loss of £2,200,000 and in 2003–04 the loss was £946,000. It is reasonable to ask what these figures may have been but for the performance of the property sector since 1997 where it has been difficult not to make money, particularly in London and the newly revitalised cities through which many canals run.

4.2 The stripping of BW’s investment property assets by disposal or transfer, along with restrictions on property reinvestment, has dampened the increase in BWs property revenue streams in recent years. At the last financial year end £34.2 million was on deposit at the bank as insufficient investments could be found in a burgeoning property market which fulfilled the restrictive property investment policy criteria, which are agreed with government.

4.3 The joint unions remain concerned that BW has not conducted the same sort of zero based review of its principal construction procurement mechanism for building/engineering contracting as has happened with many internal staff. This mechanism, known within BW as “Omnibus Contract” was instrumental in successfully delivering the large levels of construction related spend required in the early part of the millennium, funded largely through grant increases, to address a serious safety related arrears problem. Since then it remains, in a modified form, although the levels of spend are now much reduced nationally. To maintain levels of spend at these levels the contract has been extended in to smaller works and types of work not originally covered. This contract mechanism is frequently commented on by our members as being gold plated in terms of its requirements whilst leaving BW with significant costs and or liabilities for works undertaken. With reduced levels of spending for the foreseeable future, and likely lower individual project values we would like to see an external independent review of contracting practices in this area to see if further savings can be identified.

5. Growth in Leisure and Freight

5.1 The “Waterways for Tomorrow” policy makes clear the expectation that in certain areas BW should be looking to increase the amount of freight carried by inland waterways. We are wondering how this is to be achieved when the only specialist national resource within BW has been declared redundant under the current review by BW management to be replaced by “champions” in each business unit, who have other full time duties, and with no dedicated specialist support for the promotion of freight. How this can be reconciled with, for example, the objectives of the Olympic Delivery Authority to minimise the impact of construction and legacy development projects on London’s road network is not clear to us, bearing in mind the proximity of BWs Bow Back Rivers navigation to the Olympic site. The most recent examples of this trend in BW is the de-manning of the many road bridges on the Gloucester and Sharpness (ship) Canal and sale of Weston Point Docks on the Weaver Navigation which has removed wharfage capacity from the navigation.

5.2 Similarly, we believe the only dedicated resources within BW specialising in sustainability issues have been declared redundant by BW. Again this runs counter to a recurring theme throughout the governments’ published policy on waterway.

6. Relationships with Government and Other Public Bodies

6.1 We do not feel the closure of the principal office in Britain’s second largest city, Birmingham, and the loss of the entire senior management team responsible for relationships with the Local Authority, Regional Development Agency and Government Office West Midlands, bodes well for BWs real commitment to building relationships locally.

6.2 The unions remain concerned that with up to 180 fewer office staff following the grant cut, out of around 1000 at the start of 2006, with no clear indication from BW of what is not to be done by those staff remaining, staff health, and consequently business relationships will suffer.

6.3 The joint unions agree that the prospect of a cross departmental contract to underpin the government funding of BW could provide greater security of income in the medium to long term as was suggested in a recent adjournment debate.

6.4 For the future the joint trade unions would welcome a more direct link with the appropriate government department, currently DEFRA, so we can all take ownership of the problems and become part of the solutions.

Bibliography

1 Large offices were rented at Birmingham, the only canal side one, Milton Keynes and Warrington.
BW owned offices, including but not limited to those at Marsworth, Braunston, Norbury, Lapworth, Ocker Hill, Fradley and many others were closed down, some remaining vacant or under used to this day.

Statement made Wednesday 6 December by BW Director at a National Joint Forum meeting between management and the joint trade unions.

A standard question for many years on BWs “Employee Opinion Survey” asks “Overall, how satisfied are you with your current job?” with four answer options ranging from “Very Dissatisfied” to “Very Satisfied” Our comments are based on these data sets.

From initial meetings following the redundancy announcement in early October to the last consultative meeting in December no detail has been forthcoming, other than where specialist posts are deleted altogether, on activity areas or process reductions.

Canal bank staff are to be reorganised into “Functional Teams” in each business unit covering: “Stores, Transport and Dredging”, “Construction”, “Vegetation and Waste Management”, and “Customer Service”.


Source, British Waterways Annual Report and Accounts, 2005–06, page 85, Waterscape Ltd “. . . activities have now been transferred in-house to BW”.

Source, British Waterways Annual Report and Accounts, 2005–06, page 94, Total group profit before tax: £20.3 million, less British Waterways Board profit, £20.1 million gives profit from other undertakings of £0.2 million.

Source, British Waterways Annual Report and Accounts, 2005–06, page 94. Figures for 200–05 total group profit before tax: £5.0 million, less British Waterways Board profit, £7.2 million gives loss from other undertakings of £2.2 million.


“Waterways for Tomorrow” published June 2000 by the Department of the Environment, Transport and Regions.

UNISON and the Transport and General Workers Union (TGWU)

January 2007

Memorandum submitted by the Ashby Canal Trust (BW 35)

1. It is important that British Waterways (BW) work with voluntary and official organisations. Relations with the local waterways officers can be generally good, but it can be time consuming dealing with BW head office. For example, a significant local waterway in our area is the Ashby Canal, and it is important that the proposals to restore the Ashby Canal from its current terminus get genuine support from BW, as this will add several cruising miles to the network, and provide an excellent terminus for the Ashby Canal.

2. Users are concerned regarding the changes in defra’s budget as the good work carried out by BW over many years may be put at risk by a fall in maintenance standards. For example, major repairs to the Shenton embankment on the Ashby Canal have already fallen victim to the current defra cuts, and the Ashby Canal restoration, like most other waterways restoration schemes will rely on being connected to a well maintained and safe waterways network. BW grant funding, whilst clearly limited, must reflect the fact that the waterways are for everybody, not just for the paying users (eg boaters, anglers) and no price can be put on this. It could be argued that the boats, for example, are part of the infrastructure and the “backdrop” to the waterways, and licenses could go down to reflect this, and reflect the benefits to leisure and tourism.

3. Leisure use, directly or indirectly will increase, and to maximise the benefits, the network must be kept in a good condition. Freight use will, normally be limited to the larger waterways.

Our waterways are a unique asset and must be treated as such.

4. The relationship between BW and the local authorities is important. For example, Leicestershire County Council is leading the restoration of the Ashby Canal, and, it is understood, works well with the local BW office. However, there does not seem to be any proactive element to BW’s interest except in a few isolated cases, as BW locally do not have a specific restoration remit. BW do claim to “support” the restoration of the Ashby Canal and other waterways, but it is not clear what this support is. A dedicated BW restoration team may help here either regionally or nationally based.
5. So far as the local waterway is concerned, it is understood that it is proposed that BW take over any restored lengths of the Ashby Canal. In wider terms, therefore, it would be logical if all elements of the waterways network came under one body (including the Environment Agency’s waterways), eg a “National Navigation Authority”, in the interests of integration, unified standards and conformity, although some of this standardisation has been achieved recently (eg the BSS certification).

6. Overall, BW are doing a good job with limited resources, but so much more could be done which would be of great benefit to England and Wales, including quality of life, tourism, leisure, regeneration and support of local economies. The importance of our inland waterways system must not be undervalued.

Ashby Canal Trust
January 2007

Memorandum submitted by Sustrans (BW 36)

1. Thank you for allowing Sustrans to contribute to the Environment, Food and Rural Affairs Committee’s inquiry into British Waterways.

2. Summary

Sustrans would support more funding being directed at improving the canal towpath network so that it’s usefulness as a walking and cycling network could be maximised.

3. Sustrans is the UK’s leading sustainable transport charity. Our vision is a world in which people can choose to travel in ways that benefit their health and the environment. Every day we are working on practical, innovative ways of dealing with the transport challenges that affect us all.

4. Sustrans provides creative, imaginative and practical solutions to the transport, environmental and health challenges affecting us all. By working with communities, local authorities and other organisations, Sustrans creates change by putting people at the heart of our activities. Our projects have real local impact and we share skills and experience both nationally and internationally. For example:

— The National Cycle Network is a great success story. Nearly half of the UK population live within a mile of it. The Network carries over 230 million journeys each year, taking children to school, workers to work shoppers to shops. In the last decade, with the help of many partners, we’ve seen the completion of the first 10,000 miles of the Network, and currently co-ordinate over 2,000 Volunteer Rangers who donate their time to maintain routes in their communities.

— Sustrans is leading the way in promoting cycling and walking as healthy forms of transport. Our Active Travel team are persuading governments to promote walking and cycling as a way of combating obesity, heart disease and cancer. Sustrans has also pioneered TravelSmart in the UK—a unique service that gives households the tailor-made information they need to walk, cycle and use public transport more.

— Sustrans is the charity behind Safe Routes to Schools and Bike It—schemes working with young people and schools to make cycling and walking to school both safe and fun. We’re also building hundreds of Links to Schools from the National Cycle Network, giving kids traffic-free routes and parents peace of mind.

— Sustrans is updating city living for the 21st century, putting people at the heart of their community. In Liveable Neighbourhoods kids can play safely, people can shop locally, and there are green, open spaces.

5. We are submitting comments relating to the canal towpath network and its existing and its potential impact on cycling and walking.

6. The National Cycle Network currently follows significant stretches of the British Waterways’ canal network. There are numerous examples from across the country of Sustrans, British Waterways and other partners working together to achieve high quality restoration of towpaths, providing people with an attractive and realistic choice about the way that they travel. For example National Route 6 follows the canal between Leighton Buzzard and Milton Keynes. The new path is a great improvement to the canal, and will enable cyclists, anglers, boaters and walkers who regularly use the canal to enjoy the waterway and surrounding countryside.

7. Many agree that climate change is the biggest challenge facing us all. Transport in the UK currently accounts for a quarter of all CO₂ emissions, with nearly 63.5 million tonnes of CO₂ being generated by the private use of household vehicles during 2003, the last year for which we have the figures.

8. The canal network provides an existing infrastructure that, with relatively low levels of intervention, could meet the needs of a wide range of walking and cycling journeys—from day-to-day trips to leisure excursions.
9. Sustrans would support an increase in British Waterways’ expenditure on improving the quality of towpaths for cycling and walking and promoting the network of canals in the light of those improvements. We would be very worried by any moves to reduce expenditure on the management and improvement of the canal network.

Sustrans
January 2007

Memorandum submitted by A.T.J. Padwick (BW 37)

1. The existence of the above inquiry has only just been drawn to my attention but I wish to add my comments to evidence considered. I write as a narrow boat owner for 14 years and member of various waterways organisations, including the Inland Waterways Association, the Kennet and Avon Canal Trust, the Wilts and Berks Canal Trust, the Cotswold Canals Trust and some boat clubs.

2. I have also served for six years as the Chairman of the Devizes branch of the Kennet and Avon Canal Trust and as a member of the Trust Council for the same period.

3. In my capacity as a Trust official and as a very active boating user, I have had many dealings with British Waterways (BW), on my own base canal and all over the country during my travels. In particular, it was possible to have a very constructive dialogue with BW staff at all levels when the Kennet and Avon had its own management team, based in Devizes. That relationship was badly affected by the reorganisation that took all regional management to Gloucester. The considerable loss of key personnel that has now taken place as a result of the DEFRA mismanagement of farming subsidies leaves me very confused regarding who is now dealing with what subject in BW staff.

4. I am extremely concerned at the impact of budget cuts to British Waterways, which seem to be a panic measure that will have very destructive and unpredictable results. It seems extraordinary that issues affecting farm payments should impact on the inland waterways in this way and this reflects what must be a very strange management organisation. Speaking for myself it is bound to greatly increase the cost of boating, though my pension from the Royal Navy will probably allow me to continue, at least for the time being. There are much richer boaters than me but the majority of narrow boaters are less well off, live on their boats for much of the year and have sunk all their savings into their dream vessel. It is very likely that many will be driven to give up their way of life and will suffer considerable financial hardship.

5. The greatest numbers of people using the canal are walkers, cyclists and strollers seeking tranquillity. Towpaths are expensive to maintain and are vulnerable to access by vandals who often cause damage to infrastructure, but at the moment the only users directly charged for their use of the canal are anglers and boaters. It is only reasonable that a contribution is collected from unlicensed users through their taxes. It is therefore most unreasonable and very poor management to cut the contribution they make to BW in the middle of a financial year at such short notice.

6. It would make better sense to remove British Waterways and the navigational responsibilities of the Environment Agency from involvement with DEFRA and combine them to form an entirely independent organisation. In terms of the overall budget of the Government, their cost is very small. In terms of providing health giving amenities to a great proportion of the population, they are invaluable.

A T J Padwick
January 2007

Memorandum submitted by the Brentford Waterside Forum (BW 38)

WHO WE ARE

1. The Brentford Waterside Forum has been in operation for over 20 years, involving itself in all matters of waterside importance in the area, conducting dialogue with both developers and Hounslow Council.

2. Organisations represented on the Forum include:
   The Butts Society; Inland Waterways Association; The Hollows Association; MSO Marine; Brentford Dock Residents Association; Brentford Yacht & Boat Co.Ltd; Brentford Marine Services; Holland Gardens Residents Community; Weydock Ltd; Thames & Waterways Stakeholders Forum; Sailing Barge Research; The Island Residents Group; Ferry Quays Residents Association
3. The Forum’s Core Values and Objectives are stated as follows:

“The rediscovery of the Waterside in Brentford is putting intense pressure on the water front. There is growing competition for access to the river and canal sides; pressure is mounting to create new economic activities and provide residential development on the waters edge. These pressures jeopardise both existing businesses and the right of Brentford people to access the water, which is part of their heritage. Access to the waterside in Brentford is made possible by the changing economic and commercial use of the water.

The role of the Waterside Forum is to provide informed comment on proposed developments or changes. Brentford Waterside Forum will work with and through agencies to achieve the following:

— A strategic context for waterside decision making.
— To protect access to the waterside, its infrastructure and the water itself for people to use for recreation, enjoyment and business, emphasising business that need a waterside location to be successful.
— To argue for improvements to the waterside facilities for business, residents and visitors so as to deliver tangible benefits to all the communities of Brentford.
— To seek the protection of the waterside and the water as an ecological resource.

The Waterside Forum will seek through dialogue, persuasion and research to influence decision-makers to take the needs of the users of both the water and the waterside into full account when determining the future of Brentford. In doing this it will endeavour to protect and preserve the best of the past without making the future a slave to the past. It will seek to work with all other agencies and organisations who are interested in improving the use of and understanding of the waterside to enable access to, and enjoyment of, it.”

IN VolVEME WITh BrittIsh WAtERWAYs

4. The Forum has necessarily engaged with British Waterways both as a body and through members individually, on all prospective local development schemes alongside the Grand Union Canal. Over the years this experience has become increasingly depressing, despite the admirable dedication of ground staff and specialist officers.

5. The major issue over the past few years has had to do with the proposed ISIS development of Commerce Road. The scheme for this was rejected by the Council and ISIS have appealed the decision, the case currently still being heard. Part of the supporting documentation was a file on public consultation, several pages of which detailed the meetings with ourselves and listed the points of concern we raised. This however was presented in such a way as to give the impression that the scheme took account of these, whereas those concerns remain unaddressed. Such cynical manipulation of our involvement along with others, to suggest our approval and co-operation is not untypical.

THE FUNDAMENTAL PROBLEM

6. In short, there is a conflict of interest between the efforts of BW to become commercially self-sufficient and their duty to the care, maintenance and improvement of the canal system.

7. Whereas we believe that the basic remit of BW is to preserve and improve the waterways with the view to making them as commercially viable as possible whilst extending their public benefit as widely as possible, the BW interpretation of self-sufficiency has proven to be concentrated on financial returns that have little to do with the waterways themselves. Instead the system is seen as offering a premium value to property development.

8. We do not believe that using the canals as a value-enhancing background to adjacent property development equates to increasing the value of them as a commercial and recreational facility.

9. Whenever adjacent property development involves loss to the system of vital amenities, it is the amenities that suffer every time. This extends to the loss of facilities important to any increased use of the canals for freight.

EXAMPLES

10. With the Commerce Road proposal, BW seek demolition consent for the overhanging warehouse/transhipment dock. When challenged over this, their response has been that Brentford is no longer suitable for freight due to the residential developments that they have already built nearby.

11. Despite the Council’s long published desire to retain this area for industrial use, BW have spent years acquiring the properties for residential use, and have proclaimed that in the event of their appeal being lost, they have no intention of complying with the industrial designation of the site. This runs directly counter to BW’s own Planning Guidance intended to inform Boroughs of principles essential to the benefit of the system.
12. Another long-running battle has been with respect to the Brentford Town Centre proposals, for which BW drew up the waterside strategy. This involved the removal and filling in of a unique tidal slipway and tidal grid, the eviction of the boatyard operator, the marine repair and maintenance company and the moored boaters. As the last canalside boatyard on the Grand Union, this is a drastic and severe destruction of an essential and irreplaceable facility.

13. For years up to the present time, BW have insisted that this is nothing to do with them, and refrain from any support for retention of the yard.

14. Worse than simply failing to support their own Planning Guidance, they have actively campaigned against protection of the boatyard in meetings with the Council Planning Department. This has involved untrue information being presented while strongly supporting protection of their own nearby boatyard, in contradiction to their proclaimed stand on conflict of issue questions.

15. The benefit to BW in taking a stand so contradictory to their basic remit is a very small pecuniary advantage in replacing private boats with “Business Barges”

16. Still with the sole aim of increasing income, BW have involved themselves further along the entrance to the canal in the Ferry Quays proposals, again promoting the taking up of waterspace with these permanently placed barges. These are intended to be lucrative rental earners for BW, at the expense yet again of public amenity and access.

17. Further north on the Grand Union a few years ago, BW consented to the building of a private bridge that involved filling in part of a canal layby. Regardless of the doubtless remunerative consideration they would have received, this ran directly against both Parliamentary remit and the Blue Ribbon Network policies of the London Plan.

18. Recent articles in the national press have illuminated the fact that we have been inveighing against for years, of BW’s lukewarm interest in improving freight use of the canals. Increased freight use more than anything else, would help revitalise the waterways, yet as we have pointed out, the balance in any decisions over development schemes has always fallen in favour of the most profitable use of the land, rather than the beneficial use of the canal.

CONCLUSION

19. It is essential that the whole outlook of BW undergoes a paradigm shift in favour of their essential remit. This will necessitate a change in both Parliamentary interest and in managerial directives.

Brentford Waterside Forum

January 2007

Memorandum submitted by English Heritage (BW 40)

Related to the specific circumstance of reduction of British Waterways’ grant-in-aid by 12.5% in financial year 2006–07 and DEFRA’s forecast that it is likely to remain at this level, English Heritage makes the following observations:

1. Much good has been achieved by BW in recent years in re-orientating itself towards care of its very extensive historic estate comprised of locks, aqueducts, canal overbridges etc. Welcome evidence of this change of approach from utilitarian repairs and unsympathetic alterations to historic features of the network dictated by ensuring continuity of operation to a more balanced policy of also answering the need to conserve historic fabric is provided by the title of BW’s current Annual Report: Public Benefits from Historic Waterways.

2. The background to this change of approach appears to be a change of culture within BW—largely guided by its current Head of Heritage—initially through dissemination of formal advice throughout BW and more recently reinforced by informal encouragement of sound conservation principles and practice, primarily through regular periodic visits to waterway units of all areas. This high-level advice is now supplemented by the employment of Unit-based Heritage Advisers; after a slow start, these specialists now appear to be employed in the majority of waterway units.

3. Considering the improvements that have been achieved through the developments briefly described above, it would be ironic and deeply regrettable if the current radical reduction in grant-in-aid suffered by BW has an adverse effect on its responsibilities as steward of a very extensive historic estate, either through shedding of personnel with related expertise or/and cancellation/postponement of capital works directed to the repair and conservation of historic fabric.

English Heritage

January 2007
Memorandum submitted by Wynns Group (BW 41)

1. INTRODUCTION AND BACKGROUND

1.1 Wynns Ltd are the UKs only independent transport consultancy specialising in the movement of abnormal indivisible loads. In 1998 and working on behalf of Powergen, Wynns engineered the delivery of 7 loads in excess of 150 tonnes to Cottam Power Station in Nottinghamshire. The loads were delivered directly to site via the River Trent.

1.2 In November 2000 Wynns subsidiary company Robert Wynn & Sons Ltd was awarded an £8.5 million freight facilities grant. The grant represented 99% of the total cost of the design and build of a specialist ro/ro barge and the purchase and conversion of a former inland tanker barge. The vessels, later named the Terra Marique and the Inland Navigator, work as a system to maximise the potential of the inland waterway network for the carriage of the largest and heaviest abnormal indivisible loads. Specifically, Special Order & VR1 categories which are granted for road movement by the Secretary Of State for Transport.

1.3 The Governments “water preferred policy” was announced on 11 June 2002 by the then Parliamentary Under Secretary for Transport David Jamieson MP and clearly states that:

“the Departments VSE Division will henceforth adopt a policy whereby water transportation is the preferred mode for the movement of the largest and heaviest abnormal indivisible loads. Road movements will only be authorised where the Department has considered the possibility but believes water transportation is not feasible”.

1.4 Both our vessels can navigate on British Waterways managed waters. The Terra Marique is somewhat limited by her size and is limited to the Upper Trent. However the Inland Navigator can access regional centres such as Nottingham, Leeds, Rotherham, York and Worcester all via the commercial waterways network.

1.5 The commercial waterways network we refer to is that which is designated within the 1968 Transport Act, much of which is now managed by British Waterways.

2. THE DEVELOPMENT OF FREIGHT AND THE ROLE FUNDING CAN PLAY TO STIMULATE THIS

2.1 The Committee has indicated that it would like to consider the development of British Waterways in the context of the policies set out by the Government in documents such as Waterways for Tomorrow.

2.2 In the 2000 published “Waterways for Tomorrow” it stated that the Government wished to encourage the transfer of freight from roads to water-borne transport where this is practical, economic and environmentally desirable. It further stated:

— We will consult about extending the FFG scheme to encourage additional applications for inland waterways projects. Options will include grants for waterway projects covering non-capital as well as capital costs (as for rail) and the opportunity for grant to be paid directly to navigation authorities for the provision of freight infrastructure.

— We will sponsor an inland waterways freight study group including representatives of British Waterways, other members of AINA, commercial operators, waterway user groups, local authorities and the private sector.

— We will invite the freight study group to examine cost-effective and practical ways in which freight transport on the inland waterways can be increased, and whether there is a need for further studies examining issues such as whether the niche market for freight carrying on the historic narrow and broad canals can be expanded.

2.3 While it would be unfair to suggest that the Government did not carry through its proposals as outlined above, we believe that it is clear that following the review of the freight grant system, the publishing of both the Freight Study Group report and the Governments response, we are no further forward in terms of the sustained development of inland waterway freight carriage on the British Waterways navigations.

2.4 One of the main reasons why this is case is that freight is not seriously on the agenda of British Waterways. Furthermore, we have evidence to suggest that British Waterways do not pursue the carriage of freight due to (they claim) it being a loss making side of their businesses.

2.5 The Government in its Response to Freight Study Group Report stated that they would strengthen British Waterways Framework Document to encourage it to exploit opportunities for freight traffic. We have no evidence to suggest this was carried out. If it were, we would ask why has it not had a significant effect on the amount of freight carried on there waterways.

2.6 The Government response also welcomes the creation of a Head of Freight development post within British Waterways. This role lasted less than four years until the national freight team within British Waterways was cut from three members of staff to two with the role being downgraded to Freight Marketing Manager.
2.7 It should be noted by the Committee that following the cut in funding to British Waterways, we understand that British Waterways have decided to make those responsible on a national basis for freight development be made redundant. This we believe further typifies British Waterways attitude to developing freight carriage on its waterways.

2.8 While we did welcome the creation of regional “Freight Champions”, as at the time they were to work alongside the national freight team, it has come increasingly clear to us that the work undertaken by these post holders is reactive rather than the proactive. Freight Champions were existing senior staff based at British Waterways offices across the country. Our fear being that as already busy people they would not be able to devote the time and have the knowledge to act as catalysts for freight facilitation and development. We have expressed this to the Chief Executive of British Waterways.

2.9 It should also be noted that British Waterways have appointed a number of independent board members with experience in property and leisure industries. There is nobody in place who has come from the logistics industry. We would ask why is this the case if freight is a core activity. It is further evidence we believe of the semantics being played out between British Waterways and the Government.

2.10 The funding of British waterways has been a high profile issue in the last months. While we are concerned about the short-term impacts of this, there is a need for a fundamental review of British waterways funding arrangements.

2.11 It is our belief that the funding of British Waterways provides an opportunity for the Government to incentivise British Waterways. We see targets being set of other Executive Agencies and other arms of central government yet there is no scheme whereby the more freight carriage British Waterways facilitate the more funding they receive from there sponsoring department. You would hope that the savings gained in areas such as congestion and emissions should ensure that the Government get value for money via its investment.

3. THE NEED FOR A JOINED UP APPROACH

3.1 Due to the nature of their role and responsibilities British Waterways are required to interact with a number of different Government departments, regional and local government as well as other stakeholders such as Regional Development Agencies and the Highways Agency.

3.2 Firstly we would question whether responsibility for the commercial waterway network should be within the Department of Environment, Food and Rural Affairs. It would seem more appropriate to us that responsibility for the commercial navigations rested with the Department for Transport, which was responsible for transport. Until the commercial waterways are considered as part of our national transport network then we believe they will not be able to move towards fulfilling their potential as means of carrying freight. We are increasingly seeing on the continent similar size waterways being used to carry substantial amounts of cargo. It is for Government to put in place the structure which will allow our commercial waterways to play their part within a fully integrated transport system.

3.3 The planning process should play a significant role in facilitating the development of waterborne freight carriage. Documents such as “Planning for freight on inland waterways” highlight the fact that there is much guidance issued by the Government which if applied would assist in the development of waterborne freight carriage. One of the reasons why this guidance has not resulted in a significant increase in tonnage carried is that British Waterways are more often than not the only body consulted by local and regional bodies when they are drafting regional and local strategies. And as freight is not high up their agenda opportunities are being lost.

3.4 An example of this is the redevelopment of Diglis Basin on the Severn. The planning authority spoke to no-one regarding the impact of the redevelopment of the last remaining freight wharf in Worcester. This was due to the fact that the applicant for the planning permission to redevelop the site was British Waterways itself.

Indeed and as we have stated, in a recent letter to Robert Wynn & Sons, British Waterways Chief Executive, Robin Evans, attempted to justify the disbanding of his single person freight marketing team by advising that some £500,000 was collected in revenue through freight tolls and over £700,000 spent on facilitation. Quite how British Waterways account for this remains something of a mystery. It is our understanding that under the 1968 Transport Act, British Waterways are obliged to maintain the commercial navigations suitable for carrying freight yet they have not only consistently failed to do this through lack of maintenance, dredging and the continual selling of wharves, they now appear to then add the cost of maintenance, implicit in the act, to their argument to disband the freight team.
4. SUMMARY

4.1 In summary, we believe that British Waterways should be doing more to encourage modal shift from road to commercial waterway. As a Navigation Authority responsible for freight carrying waterways they should have senior staff responsible for freight rather than devolving it down to a local level.

4.2 The government should reconsider where responsibility for the commercial waterways sits within its own departments and should also consider how the funding arrangements might be restructured to encourage British Waterways to champion freight development.

Wynns Group
January 2007

Memorandum submitted by the Royal Yachting Association (BW 43)

THE RYA

1. The Royal Yachting Association (RYA) is the national body for all forms of recreational and competitive boating. It represents dinghy and yacht racing, motor and sail cruising, RIBs and sportsboats, powerboat racing, windsurfing, inland cruising and personal watercraft.

2. The RYA is recognised by all government offices as being the negotiating body for the activities it represents. The RYA currently has over 100,000 personal members, the majority of whom choose to go afloat for purely recreational non-competitive pleasure on coastal and inland waters. There are an estimated further 500,000 boat owners nationally, both coastal and inland, who are members of over 1,500 RYA affiliated clubs and class associations.

3. The RYA also sets and maintains a recognised standard for recreational boat training through a network of 2,070 RYA Recognised Training Centres in 20 countries. Over 143,000 people per year complete RYA training courses.

Submission Summary

4. The RYA submission focuses on participation and the maintenance of rights of navigation.

5. In particular, problems associated with year on year cuts in grant in aid will, we submit, significantly affect British Waterway’s (BW’s) ability to maintain its waterways. The more significant implications arising from such effects will most likely be, from the RYA’s perspective, a reduction in boating facilities, the loss of the public right of navigation and a reduction in participation.

Relationship between RYA and BW

6. The RYA and BW have a common interest in the area of recreation and navigation. As a navigation authority, BW is responsible for securing and promoting navigation on its waterways. The RYA has the remit of ensuring that the public right of navigation, where it exists, is maintained and that regulatory and financial burdens are only imposed where it is reasonably necessary to do so.

7. BW is proactive in consulting with the RYA and, overall, consultations have been meaningful. The current arrangements therefore appear adequate and provide for consultation at both a local and national level.

8. While problems may be encountered from time to time at a local level, BW appears to have the desire and intent to resolve issues amicably.

9. The RYA would wish to see a closer liaison between BW and other navigation authorities, in particular the Environment Agency and the Broads Authority. We believe that a closer sharing of knowledge and a common approach to issues such as regulation, promotion of navigation and maintenance would be worthwhile.
Participation in Boating and Boating-related Activities

10. Growth in participation is essential to the success of the inland waterways.

11. As a membership organisation, the RYA is aware that inland boaters tend to be an ageing population. We wish to see more young people encouraged to take part in boating and other water-based sports.

12. Any reasonable financial incentives to achieve this aim would be welcome, and we wish to see BW become more active in terms of encouraging greater participation in recreational boating and related activities.

13. A closer liaison between BW and local authorities is encouraged, along with supporting and promoting waterside activities and sports clubs.

Funding and Financial Arrangements

14. Navigation authorities have certain statutory and common law duties to maintain navigations in a safe manner, including maintaining the public right of navigation where it exists. This will also include the provision of reasonable facilities and dredging to maintained depths.

15. With regard to BW, it is only fair that boaters comply with the “user pays” principle and pay a reasonable charge for a reasonable level of service provision. Currently, users believe they have reached a reasonable balance.

16. The current levels of licence fee charge and service provision are only possible because of the Grant in Aid (GIA) BW receives from the Government. The recent cuts to GIA have highlighted the potential consequences to service provision, which could reduce significantly, and to licence fees, which could suffer a significant increase.

17. The potential consequences include, but are not limited to, a significant and adverse reduction in participation, canal closures and loss of waterside businesses. Many of these effects are likely to be irreversible.

18. It is therefore essential to protect the Government funding. This is not solely for the boater’s benefit, but for the benefit of all the users of the waterways as identified in the Government paper “Waterways for Tomorrow”.

19. It is also clear that without Government funding the boaters would pay a disproportionate amount towards the waterways, to the benefit of non-boaters. The more the GIA is reduced the more the licence fee arrangements become a tax on the boater and not on the wider public who also enjoy the waterways.

20. We would therefore expect BW and the Government to cooperate on identifying other public funding streams that do not rely solely on GIA, and which may involve a greater input from local authority funds.

21. In addition, the uncertain and volatile nature of GIA is far from acceptable and is a barrier to effective strategic planning. Treasury involvement is essential to ensure that GIA is maintained at appropriate levels over a reasonable, and pre-determined, timescale.

Royal Yachting Association

January 2007

Memorandum submitted by the Montgomery Waterway Restoration Trust (BW 44)

Summary

This Trust is concerned that cuts in funding for British Waterways could lead to the inability to maintain the Montgomery Canal, putting at risk its special ecological features, its listed buildings, the opportunity for economic regeneration, and an amenity used extensively by local residents and visitors.

1. Montgomery Waterway Restoration Trust is a charity which promotes the restoration and development of the Montgomery Canal. The Trust was formed in 1980 and its members include Shropshire County Council, Powys County Council, Oswestry Borough Council, North Shropshire District Council, the Prince’s Trust, Shropshire and Montgomeryshire Wildlife Trusts, Inland Waterways Association, Shropshire Union Canal Society and Waterway Recovery Group.

2. The Montgomery Canal runs from Welsh Frankton near Ellesmere in Shropshire through to Welshpool to Newtown in Powys. It was abandoned in 1936 and has been under restoration since 1969: the towpath is open throughout the 35-mile length of the canal and half the canal has now been restored to navigation.

3. The Montgomery Canal has over 120 listed structures, much of it is designated as Sites of Special Scientific Interest and in Powys it is designated as a Special Area of Conservation under the European Habitats Directive.
4. In February 2006 a Management Strategy for the canal was launched at the House of Commons and the Welsh Assembly. The Strategy recognises the unique value of the built and natural environment of the canal and the opportunities for economic regeneration in the borderland area which suffered greatly from the foot-and-mouth epidemic and the subsequent decline in agriculture.

5. The canal is owned by British Waterways and restoration has been undertaken in partnership with British Waterways with whom the Trust and the other partners in restoration have an excellent relationship. British Waterways in turn have been very supportive in the way anticipated in “Waterways for Tomorrow”.

6. We are greatly concerned about the cuts in funding for British Waterways. In its present state, the Montgomery Canal is very valuable: the isolated restored length, which is home to the Habitats Directive protected species, is little used by boats. It needs regular maintenance to protect its integrity—in particular to prevent breaches which could damage property in Welshpool and the countryside; and to prevent the weed and silt from obstructing navigation and water flow—which in turn would lead to less use (and even less income) and potential damage to its ecology.

7. Although this length of the canal is not greatly used for navigation, it is used by two boats for the handicapped (the first on the network), and is extensively used by walkers (The Strategy Summary says, “Many more people use the canal on foot than ever will by boat and the restoration must meet those needs and develop opportunities . . . Current levels of use by walkers vary, with up to 1,500 per week in Welshpool. Experience of other restoration schemes indicates that this could increase by 50–100% following restoration”). It is also available for fishing and canoeing and is a feature in Welshpool and a factor in the development of waterside facilities (The Strategy summary says, “Standard calculations indicate the creation of around 100–120 long-term jobs from Phase 1 restoration, but could increase to 250–300 with associated developments. The emphasis on green tourism, increased walking etc means that the numbers of jobs created are the same as in previous schemes with unrestricted navigation. Additional jobs would be created during the construction phases.”)

8. Structural damage to the canal would put all this at risk. It goes without saying that many of these activities do not contribute much to British Waterways’ income, but they do provide considerable value to the community.

9. In a situation where British Waterway could be faced with other demands on its funds—particularly in the event of another breach on the Llangollen Canal which is used for water supply to Cheshire and is extensively used for boating holidays, supporting many businesses—we fear that with reducing funds British Waterway could find itself unable to continue to support the Montgomery Canal, which would put at risk all that has been achieved so far, and prejudice the greater benefits of the fully restored canal.

Montgomery Waterway Restoration Trust

January 2007

Memorandum submitted by Natural England (BW 48)

1. INTRODUCTION

1.1 Natural England is a new organisation which has been established under the Natural Environment and Rural Communities Act 2006. It is a non-departmental public body. It has been formed by bringing together English Nature and parts of the Rural Development Service and the Countryside Agency.

1.2 Natural England has been charged with the responsibility to ensure that England’s unique natural environment including its flora and fauna, land and seascapes, geology and soils are protected and improved.

1.3 Natural England’s purpose as outlined in the Act is to ensure that the natural environment is conserved, enhanced, and managed for the benefit of present and future generations, thereby contributing to sustainable development.

2. SUMMARY OF NATURAL ENGLAND’S RESPONSE

2.1 British Waterways has the potential to demonstrate best practice in sustainable development. It is well positioned to illustrate the benefits of regeneration for economic, social and environmental outcomes. We suggest that the potential of British Waterways’ assets could be better developed by placing a new emphasis on the wider social and environmental benefits provided by the waterway network. In particular, we believe the wildlife value associated with the waterways and the opportunities for users to experience and enjoy it deserves greater recognition.

2.2 Waterways play a key role in providing leisure and recreation opportunities. At the same time, there is scope for British Waterways to develop the role of the waterways in contributing to green infrastructure, in delivering nature conservation targets and interpreting the natural environment for users.
3. **Detailed Response: Introduction**

3.1 Our submission focuses on the contribution that British Waterways can make to safeguarding, and enhancing the waterway natural environment, and increasing the opportunities for users to experience, understand and enjoy it. The submission considers the impact of British Waterways’ current financial and structural framework upon these objectives.

3.2 The potential for close partnership working between Natural England and British Waterways was highlighted in the 2003 Rural Delivery Review by Lord Haskins which identified British Waterways’ “important role in sustainable management of the landscape” and the need for it to “work closely with the new agency, as well as the Environment Agency, under the proposed arrangements”.

4. **British Waterways’ Relationship to Central Government Departments and Agencies**

4.1 British Waterways owns over 50 Sites of Special Scientific Interest (SSSIs) in England covering a total area of approximately 670 hectares. These SSSIs comprise a range of habitats and geological features associated with, or adjacent to, the waterway network. In addition to duties relating to the management of these SSSIs as landowners, British Waterways, in exercising its functions, also has a duty under Section 28G of the Wildlife and Countryside Act (as amended by the Countryside and Rights of Way Act, 2000) to “further the conservation and enhancement of the flora, fauna or geological or physiographical features by reason of which a site is of special scientific interest”.

4.2 Therefore, British Waterways has a key role to play in achieving the government’s public service agreement (PSA) target for 95% of the area of SSSIs to be in “favourable” or “unfavourable recovering” condition by 2010. Currently 73% of British Waterways’ entire SSSI estate is meeting the PSA target. However, of the 11 canal SSSIs within British Waterways’ ownership just 43% of the total area is currently meeting the PSA target. British Waterways has significant challenges to address, some are common to all freshwater habitats, some are specific to canals.

4.3 Natural England and British Waterways have initiated a joint work programme to secure positive management of British Waterways’ SSSIs and delivery of the PSA target. We are encouraged that SSSIs are now mentioned in British Waterways’ planning documents (eg “Our Plan for the Future 2005–09”) and welcome the commitment to produce and agree management plans for all SSSIs by 2007.

4.4. Defra chairs a Major Landowners Group (MLG) comprising bodies with a significant role to play in delivering the PSA target for SSSIs. This group has proved a useful forum for major landowners to share best practice and benefit from mutual support. British Waterways has been excluded from the MLG to date due to the limited area of their SSSI landholdings. However, we believe that British Waterways faces significant technical and financial challenges in the management of canal SSSIs and would benefit from participation in the MLG. This could help to identify resources to undertake the management necessary to restore canal SSSIs to favourable condition.

5. **British Waterways’ Financial Framework**

5.1 We believe that the waterway categories under the 1968 Transport Act still exert too great an influence on British Waterways’ spending. Those waterways in the “remainder” category are allocated minimal spend, yet these are where many of the SSSIs and other features with potentially strong public good benefits are located.

5.2 We would like to see stronger signals from British Waterways’ Defra sponsor and its national management team about the need for local waterway investment in SSSI priorities and contribution to the PSA target. We are concerned that British Waterways is struggling to meet statutory requirements in relation to SSI management because resources are directed to other priorities, determined locally.

6. **Recent Developments in Stewardship Work**

6.1 British Waterways owns or manages a significant area of land and length of waterway outside protected areas. There is considerable scope for increasing the wildlife value of the waterway network without compromising other uses. British Waterways has already begun to take positive steps to integrate wildlife protection in its day to day working through the Environmental Code of Practice and the development of a biodiversity action plan for the waterway network. The potential for further enhancement for biodiversity needs to be investigated although recent reductions in staff with environmental expertise will compromise this.

6.2. The greatest environmental challenges for British Waterways are associated with waterway restoration, as many potential restoration schemes are designated as SSSI. We believe that such restoration projects offer huge potential for wildlife enhancement and habitat creation. British Waterways has always attempted to safeguard the wildlife interest where there are statutory designations. However, we believe that more opportunities could be pursued, possibly through partnership projects.
6.3 Canal restoration offers a unique opportunity to integrate a range of waterway recreational uses with habitat restoration whilst delivering social and economic benefits beyond the waterway corridor. Restored waterways have the potential to be “green corridors” or linear parks where the public can experience and enjoy wildlife and engage in recreation activities consistent with maintaining this biodiversity. Often restoration schemes have been too navigation focused with the result that the interests of other users (anglers, canoeists, towpath walkers, cyclists) and wildlife are compromised. This is not consistent with the government’s objectives as set out in “Waterways for Tomorrow” for the “greater recreational use of the waterways for all”.

6.4. The waterway network under British Waterways’ management represents a significant water resource and thus British Waterways has an important role to play in managing water resources both within the network but also more widely at a regional and catchment scale. We believe that British Waterways needs to work with others, including the statutory regulators to ensure sustainable use of water across the network. We would anticipate British Waterways as a key “water manager” to participate fully in the River Basin Management Plan process under the EU Water Framework Directive.

7. Potential for Growth in Leisure Use of the Waterways

7.1. Natural England’s founding bodies have worked with British Waterways in the past on programmes to improve both water borne access and access along the towpath network. The towpaths managed by British Waterways are a particularly important national recreational resource. The former use of the towpath for horse towed commercial barge traffic has long since been superseded by an increasing awareness of the potential for recreation by walkers, cyclists and other users. Some of these recreational users seek access to the towpath network because of a diverse range of specialist interests such as bird watching, historic buildings, coarse fishing and industrial archaeology as well as the pleasure of simply enjoying the outdoors for healthy exercise on foot or bicycle (under licence from British Waterways).

7.2 The former commercial development of the canal system has ensured that England has one of the most interesting and extensive canal networks in the world. However, since the end of the Second World War much of the network has been neglected until fairly recently. Repair and maintenance of the 2,200 miles of towpaths in England, Scotland and Wales has been a low priority during this period.

7.3 During the passage of the Countryside and Rights of Way Act 2000 there was an opportunity to dedicate the whole of British Waterways’ open space estate to statutory public access but this was not taken up.

7.4 The potential value of the canal towpath network to the most socially diverse and frequently most deprived inner urban communities has not yet been fully realised. The challenge is to use the entire canal towpath corridor in deprived urban places as a channel for greater social cohesion and a physical demonstration of social inclusion. This would require the same degree of commitment to these parts of the waterway network as has already been made in central business districts.

7.5 For example, canal towpaths enable people to traverse the entire West Midlands conurbation from Kings Norton to Wolverhampton on foot or by bicycle, without coming into contact with a car, in a green and tranquil wildlife corridor. As such they offer significant opportunities for exercise and green travel for all. British Waterways has worked closely with Sustrans and local authorities to explore this potential and to promote their use by school children (Safe Routes to Schools), commuters and recreational users but huge challenges still remain to make effective use of the whole network. An integrated network of canal towpaths, converted disused railway lines, paths through urban parks and other traffic free routes would rapidly magnify the benefits for a healthier, low carbon economy and make recreational access to a more natural environment a physical possibility for even the most deprived and disadvantaged communities.

7.6. Natural England would welcome exploration of how funding of the waterways’ social objectives could be met by a wider contribution from Regional Development Agencies, the Department for Transport and other government bodies.

8. Potential for Growth in Freight Use of the Waterways Network

8.1 Currently less than 1% of domestic freight in England and Wales is transported via the waterway network. Enhanced use of existing waterway routes offers the potential to divert freight from the road network and reduce carbon emissions, congestion and noise from our motorways and trunk roads. As long as any increased freight use is managed in a way which is sensitive to the needs of the natural environment and biodiversity waterways could help move an increased amount of a wide range of materials (sand, gravel, cement, steel) and significant amounts of waste, especially from our larger cities.

8.2. It is a concern, therefore, that British Waterways is planning to disband its central staff resource for freight development. Although this work is due to be delegated to local offices a national overview is important and it is important for central engagement with and advice to the Department for Transport.

Natural England

January 2007
Memorandum submitted by the National Farmers’ Union (BW 49)

1. The National Farmers’ Union represents the interests of some 55,000 businesses which are engaged in a diverse range of agricultural, horticultural and related activities throughout England and Wales. Many of these businesses have a direct interest in the nations’ inland waterways and therefore we welcome the opportunity to present our views on British Waterways (BW).

2. We have several points to raise in our response. These relate to:
   — abstraction charges; and
   — the role of British Waterways in the maintenance of inland waterways and bridges and (i) the impacts of the recent budgetary cuts on the organisation and (ii) the opportunities for diversification.

3. Our primary concern relates to abstraction charges levied by BW. A number of farmers and growers have contracts with BW to abstract irrigation water from canals. The NFU raised concerns with BW during 2000 and 2001 due to their excessive charging for water to abstractors from canals. BW are charged by the Environment Agency to permit abstraction from canals but this value is often multiplied considerably for the abstractor. Following a number of meetings between the NFU and BW, some reductions and concessions were granted by BW to the abstractors. However this matter continued to cause concern and the matter was referred to Ofwat for investigation. Their correspondence highlighted that the NFU and its members were not the only complainants on this issue. More recently, a licence where there was considerable concern came up for renewal and an amicable agreement was able to be reached between the abstractor and BW on charges. However it should be noted the cost to the abstractor is still significantly higher than the abstraction charges levied by the Environment Agency.

4. At the same time we recognise the role that BW plays in the maintenance of inland waterways and the impacts of budgetary cuts. Canalside owners and occupiers have raised a number of concerns about management of canals by British Waterways, including that they are not quick to repair leaking canals and other canalside problems which impact on farmers and land managers. With further funding cuts, this could result in this maintenance being cut further with detrimental effects to canalside landowners and managers.

5. BW is also responsible for private bridges over canals built for the needs of the canalside landowners when the canals were built. Some of these are in disrepair and BW, in order to save money, have banned or reduced the gross weight of traffic allowed to use the bridge. This can have severe implications for farmers who rely on the canal bridge for access to their farm. The same point applies more frequently to BW owned bridges which are public roads. High maintenance and repair costs can lead BW to seek traffic regulation orders to limit the gross weights of vehicles on bridges. There are examples in the East Midlands region where BW has called for vehicle weights over their bridges to be reduced from a maximum of 40 tonnes to 14 tonnes. Most vehicles delivering to and from farms will have a greater maximum gross weight than this, along with some farm machinery. In rural areas this can have severe impacts on farms whose access depends on these bridges. Any further squeeze on BW funds could have implications for the bridge network they maintain to the detriment of those whose businesses depend on that infrastructure.

6. British Waterways has been an important stakeholder on the Fly-tipping Prevention Group which is a group looking at ways in which fly-tipping problems can be prevented and addressed and it has been a significant contributor to the group on landowner issues. The NFU welcomes British Waterways input into this group as fly tipping is something that concerns the NFU and its members.

7. In addition, the establishment of marinas and the provision of moorings in general provide farmers with an opportunity for diversification for canalside farmers. Swanley Bridge Marina (part of Swanley Hall Farm) exemplified the synergy between the canal network and farming. The NFU would like the build on experiences of this type in order to create a mutually advantageous framework for cooperation. In this respect, British Waterways has also recognised that the role of farmers in the development of British waterways goes beyond their potential role as providers of land and that “their local knowledge and access to local authority planners are of significant value”.

8. It should also be taken into consideration that a significant number of farmers develop their activity within an environment defined and influenced by waterways and the activities carried in the canal network. As such, issues of access, shared resources and neighbourhood policy are important in order to ensure a cordial co-existence.

9. We would be more than willing to provide further evidence on the points laid out in this response if you require further information.

National Farmers’ Union

January 2007

3 http://www.britishwaterways.co.uk/newsroom/stories/Cows_canals_converge_as_dairy_farm_opens_to_narrowboats.html
Memorandum submitted by Jericho Community Boatyard Ltd (BW 51)

In order to provide the Committee with a brief summary of the activities and purpose of the group represented by Jericho Community Boatyard Ltd, we submit as follows a précis taken from our Articles and Memoranda of Association:

To ensure that a comprehensive and local boatyard service is protected and maintained for the boating community of Oxford, and for those visiting the City by boat. To work collaboratively, constructively and creatively with relevant partners and authorities to achieve this objective. To preserve and promote the heritage and character of the local canal environment.

The Company has a current membership of 117 interested parties, consisting of 52% members of Oxford’s residential boating community, and 48% who are local residents of Oxford living on the land. It is on behalf of our whole community that we make the attached submission to the Select Committee.

1. The Committee will examine how British Waterways is working towards its ambition of creating “an expanded, vibrant, largely self-sufficient waterway network”.

(i) Official statistics indicate that the Inland Waterways enjoy over 300 million visits per annum by a very diverse range of users, and that Government investment in the waterways by way of grant-in-aid benefits regeneration, healthy outdoor pursuits and recreation, community well-being, and the preservation of the living environment for over 20,000 residential boaters living throughout the network.

(ii) At last year’s funding levels of £59.43 million, this represents a cost of only just under 20p per visit per year.

(iii) A passing glance at these statistics, and the output from BW’s public relations department would suggest that the management of BW is delivering outstanding value for money, and that the future of the Waterways can be considered to be completely safe in their hands.

(iv) Oxford’s boating community together with our close neighbours on the land, collectively have several hundred person-years’ worth of experience of BW’s handling of our canal environment, and we beg to disagree with that optimistic view, as we hope to illustrate in this document.

(v) It is noted that the Committee “are not able to investigate individual cases”, and although our submission is made in the first instance, in terms of our experience of BW in the locality of Oxford, it is hoped that our observations will not be overlooked on the grounds of any presumed specificity to our situation here.

(vi) The course of our relationship with BW has put us in close touch with many other users across the network, and it has become apparent that the shortcomings arising in BW’s management on the South Oxford canal are symptomatic of a much more widespread problem, particularly where the value of canalside property is highest.

2. Current users of the waterway network and their relationships with British Waterways

(i) A recurring problem with British Waterways’ relationships with users, is their consistent failure to consult either with their customer base, or with other parties affected by their actions. It is as if they deemed the airing of the decision making process too risky a matter for their stakeholders to be involved in, in case the latter somehow modify or impede that process. This outputs to unilateral and unpopular decisions being made by BW, which unsurprisingly puts them into costly opposition with the very people they are supposed to be working with and for.

(ii) BW have at best paid lip service to this criticism, and have initiated consultation with user groups on about three occasions that we know of, but have then ignored and acted contrary to the advice that they had requested of the process. What follows is a contemporary and local example of this widely reported tendency on BW’s part.

(iii) At the end of last summer, the Mooring Contracts Working Group was set up at BW’s instigation, and includes representatives from the major waterways user groups, to gather and respond to stakeholder views on mooring fees and transferability, amongst other issues.

(iv) Transferability refers to a boater’s right to sell their boat and assign the mooring to another party, for an uplifted value over and above the cost of the vessel itself. In Oxford a canal boat worth say £30K, can fetch £15K to £20K more with a secure mooring. In London, where property values are even higher, a boat worth £70K can likewise sell for upwards of £150K.

(v) The facility to do this, and to rent one’s boat out, has been permitted by BW for many years, provided that their consent is sought beforehand, and BW are obliged to provide a sound reason for not consenting to such an application. Transferability

(a) has been contractually included under the terms of the Houseboat Certificate since 1995;
(b) has been tacitly permitted by BW for residential boaters with other types of licence; and
(c) as well as for boaters whose floating home has been rated for Council Tax purposes as a “domicile”, as opposed to the outdated and rather vulnerable designation as a “chattel”, (even though it might be someone’s only residence and home.)

(vi) In Oxford there are 41 moorings collectively referred to as The LA21. Their contract with BW is a version of the Houseboat Licence referred to above, with the same transferability provisions. In stark contradiction to the advice given by members of the Mooring Contacts Working Group immediately beforehand, only last week BW announced that they planned to unilaterally withdraw the option of transferability right across the network. If such a step is implemented, it will wipe hundreds of thousands of pounds off the value of nearly half the boats in our community, and many millions off the value of boats across the wider network.

(vii) BW have made this highly contentious move, against best advice, in reaction to mild criticism from the Ombudsman for not managing the moorings properly in Oxford.

3. The financial framework of British Waterways and the impact of changes in Defra’s budget

(i) Briefly, if BW were a real privately-run company they would probably have gone into liquidation about 12 years ago.

(ii) The grant-in-aid provided by Government may have only been just enough to keep BW going along, but it is apparent that BW’s management have assumed to themselves the mission of making themselves financially independent notwithstanding, and regardless of the fabric and amenity of the network they are supposed to be protecting and modernising.

(iii) The emphasis on leisure and recreation, for which the waterways were “saved” in the nineteen sixties, was never going to yield enough income for the canals to be financially sustainable, and BW’s other business diversifications have either failed or have been sold off for a relatively modest return.

(iv) The only avenue left for the current BW management to make ends meet with, and the only one that has yielded any dividends for them, has been in property speculation, and the disposal of waterside assets; and yes, these belonged to the Nation, and were not in all cases either “derelict” or “unused”. This is probably our most core concern, that publicly owned amenities are slipping into private and unregulated ownership that has no regard for the heritage, character, or inhabitants of our Waterways.

(v) It is not unreasonable to suggest, that once an organisation starts selling it’s finite assets, to not quite meet the full ongoing cost of its overheads and maintenance, then it might be judged to be insolvent.

(vi) This appears to have been the case before the changes in Defra’s budget, when comments like “haemorrhaging funds down the drain” have been heard spoken aloud by one senior BW manager, but not that these financial changes seem set to impact on the funding allocation for the waterways, it would appear that BW in particular, are into some very serious financial trouble.

(vii) BW’s financial affairs remain persistently opaque to public scrutiny.

(viii) The true value of our inland waterways, to the millions of people who enjoy them in so many ways, and to the thousands who have chosen to make their home upon them, is out of all proportion with their operational and forward costs. Obviously it is nigh on impossible to create an equation linking public feeling to profit and loss accounts, but perhaps it is safe to say that people in this country feel more affection for their taxes being spent on this marvellous and accessible part of our heritage, than they do about expenditure on the more prosaic necessities of government.

(ix) We might hope then, that Government will see fit to ensure that BW’s financial framework is substantially overhauled, and through a level of funding that is in proportion to the importance of Waterways to the Nation’s heart, they do deliver a future BW from the need to sell off assets that belong to the Nation, and from the need to play speculatively with public money in order to pay their way.

4. Recent developments in the stewardship work and commercial activities of British Waterways, including its property portfolio

(i) To quote from a BW publication “Making the Most of Our Property” (An extract from Our Plan for the Future 2005–2009)—“We own investment property and a development estate worth £470 million. It provides a crucial source of income for us.” It goes on to say: “Investment Property Strategy—We will increase income from our investment estate through: timely and active estate management, being prepared to increase our risk levels for higher yields. Development Property Strategy. We will: Increase our development acquisitions to fulfil our objectives for urban and rural regeneration. Continue to trade land and add value to it by securing planning consent, land assembly and infrastructure before offering it to private sector developers.”
(ii) A considerable proportion of this community’s involvement with British Waterways over the last few years has been in connection with a boatyard in the middle of Oxford.

(iii) Boatyards are an indispensible resource to boaters and boating, for reasons that span compliance with health and safety certification, maintenance of the home to a comfortable standard, essential facilities such as fresh water and chandlery, to being an important focal point for the local communities.

(iv) Oxford City Council fully recognise the boaters as significant participants within the wider community. The Local Plan requirements for the land known as Castlemill Boatyard, stipulate that planning permission for it to be developed into something else, be contingent upon the lost facilities being replaced “in an equally accessible and suitable location”.

(v) Before deciding to dispose of the land BW, did not engage in any form of meaningful public consultation, and partly as a result of this, have wasted large sums of public money attempting to force unacceptable development schemes through the planning process.

(vi) As elsewhere, this has not been a successful strategy, and BW have been refused planning permission twice in a row, and for a third time at appeal, where the only remaining issue to clear up has been the failure by them, to replace the boatyard that Oxford has had removed from it. This determination was made by the Government Planning Inspector on 5th August 2005, and still we see no compliance with it, in regard to the boatyard.

(vii) Even now, it reaches us that some senior BW personnel are saying that this community does not need a boatyard, or that we have already got one, whilst two other BW managers have been charged with the task of working with community representatives to help them locate purchase and commission a new facility. We find BW’s customer-facing management approach very confusing.

(viii) Oxford’s boating community has had no proper facilities for over seven months, and the Castlemill site does not have planning permission.

(ix) The quote at 4(i) above: “...trade land and add value to it by securing planning consent, land assembly and infrastructure before offering it to private sector developers.” contrasts with the reality, which is that BW have just sold the land on, without planning permission.

(x) When BW sold the land at Castlemill Boatyard, presumably for a sum that reflected the absence of planning permission, they did not have regard to the content of one the statutes under their very foundations, namely the 1968 Transport Act (at page 142 Ch.73 Part VII Section 107). The Act recites that (2) “It shall be the duty of the Board... (b) to secure that the best possible financial return is obtained from any asset of the Board which is not an inland waterway or harbour and is not required in connection with the provision of services and facilities by the Board.

(xi) Even if BW should subsequently benefit from some sort of option agreement with the developer after planning has finally been obtained, whereby they might receive a share of the proceeds from selling built units at the end of the project, they will have extinguished a significant proportion of the financial return through mismanagement of this piece of their portfolio.

(xii) It is obviously a bit too late for Castlemill Boatyard now, but for the public record it is worth questioning the wisdom of disposing of this essential facility, on the grounds of it not being “required in connection with the provision of services and facilities”, as instructed by the 1968 Act, when BW are planning to introduce a further 11,000 boats to the network, all of which, at some point, will require maintenance and Boat Safety Certificates.

5. Potential for growth in leisure and freight use of the waterways network

(i) Without doubt, the waterways network has potential for further growth in leisure use, but even at over 2000 miles of network, there is only just so much of it left to exploit, and as mentioned above we would question whether the network had the capacity to support enough increased leisure activity to solve BW’s financial problems, especially if they continue to adopt the themepark approach.

(ii) With sensitive management and proper investment, the emphasis could be directed towards the substantial heritage value of the canals, and building further on the current success in attracting more people to enjoy our waterways can only be a good thing.

(iii) BW appears to recognise the importance of wildlife habitats along the track, but it takes some close scrutiny of their publicity material to find any acknowledgment that there exists a significant population of human inhabitants living on the waterways as well.

(iv) Naturally there is concern amongst residential boaters, that if growth in leisure is pursued with the current BW management style, then it may result in a bland consumer experience devoid of the regional peculiarities that make the canals so special, and may render the life afloat unaffordable, except to the occasional, recreational boater.

(v) Most of the narrow gauge canals are too badly silted up to take the displacement of a fully loaded carrying boat. The broad canals do offer some potential for removing non time-critical lorry
loads off the roads, and affording a form of transport with a very much smaller carbon footprint. This is especially important in cities, where large quantities of heavy materials are to be moved over the same route. However BW appear to have sacked the last two remaining in-house water freight specialists they had, and in recent years have closed many working wharves in order to build flats and offices on them. In the light of this, it is difficult to see how BW can be serious about facilitating a return of freight to our canals.

6. Relationships between British Waterways and central Government departments, Regional Development Agencies and local authorities
   (i) We are not in a position to comment on this matter.

7. Summary:
   (i) The usages of the canals have evolved from heavy goods haulage, to being enjoyed by millions of people. BW are to be congratulated for their part in this transformation, but from the perspective of a waterways user, BW do not look capable of becoming self-sufficient on the incomes that the waterways alone can sustain.
   (ii) The radio mast company has gone, as has the cable network business. The on-line holiday booking website has been losing money, and the marina group has run into competition issues. Moorings fees and licences only account for about 7% of BW’s income. The two pubs are apparently doing satisfactorily, but none of these will be capable of turning BW around financially to the point of financial independence.
   (iii) However, management’s challenge to try and prove that the latter is possible, together with the pressing need to keep the organisation afloat has resulted in a damaging conflict of interest between BW’s role as custodian of the waterways, and their drive to liquidate public assets indiscriminately, in order to get some money together from somewhere.
   (iv) It is possibly because of this schism within BW’s declared and actual working policies, that we find them secretive, unwilling to engage with their stakeholders who could be a substantial resource for them, and thoroughly opaque in their financial dealings.
   (v) A further source of major concern arises in the grey area of “partnerships” with private companies such as Isis, which is staffed by a contingent of ex-BW management.
   (vi) We believe that British Waterways’ grant-in-aid funding should be restored, but not before there has been a root and branch overhaul of the whole management system and senior personnel at BW.
   (vii) The membership of a restructured Board should include user group representatives serving upon it, and the property development culture that has arisen, moderated.
   (viii) Funding should be pegged at a level where BW will be able to manage maintain and modernise the waterways in their charge, and attract investment, without resorting to selling off public assets. As income streams start to grow again, in a less commercially stressed environment, funding could be reduced proportionately.
   (ix) A new waterways Act of Parliament could be called for, that properly reflects the way in which the uses of the canals and rivers are really evolving, and includes legislation to protect these waterways from pressures that currently threaten to overwhelm them.

Jericho Community Boatyard Ltd

January 2007

Memorandum submitted by Wendy and Ray Scoggins (BW 52)

It is essential that the level of Grant to British Waterways be maintained at its current level! In fact, there is every good reason why the Grant should be increased, if only to keep pace with the Annual Rate of Inflation!

The Canal System, consisting of over 2,000 miles of Waterways, is a unique, enormous leisure park. It provides an amenity for many varieties of craft, both powered and un-powered. The canals, and their associated towpaths, provide immense pleasure to many people apart from Boaters. The Waterways are fished by hundreds of thousands of people throughout the year. Cyclists and walkers use the towpaths extensively. People observe the wildlife—others use the towpaths for the purpose of exercise i.e. running.

With the advent of the Olympics in 2012, this could be a fantastic opportunity to use the local Canals in the Lee Valley as a tremendous “shop window,” to generate even more interest in the activities that are afforded by this wonderful linear parkland!
The proposed cuts to the current Grant are deplorable and narrow-minded. If this happens, British Waterways will almost certainly be unable to maintain the system! They have, in recent years, already been forced to shelve essential maintenance programmes due to lack of funds in many areas.

The inevitable cuts in manpower caused by the above will ensure, without a doubt, the demise of our Waterways! Locks will cease to function properly—with the inevitable breakdown of their workings, thus causing an enormous safety hazard to its users! Towpaths are, in many locations, already in a deplorable condition. In fact, I suggest the Committee might have a day out, and visit areas of the Grand Union Canal between Upper Berkhamsted and Tring in Hertfordshire—but remember to bring your wellies!

The UK has had a Canal System for over 200 years and it is feasible that it could support commercial traffic again. This is a magnificent heritage that gives pleasure to millions of people, the majority of whom only contribute to the running costs of the Waterways by virtue of the taxes they pay which is transformed into the Annual Grant given to British Waterways. This heritage belongs to Great Britain and must not be allowed to decline and die! Is it this Government’s desire to be remembered as those responsible for the demise of the Canal System—Demonstrating once more that they have again betrayed their Social obligation to this Country?

Wendy and Ray Scoggins
(Owners of “Amethyst”)
January 2007

Memorandum submitted by Murad Qureshi AM, Chair of the London Waterways Commission (BW 53)

1. INTRODUCTION

This is a response by the Chair of the London Waterways Commission (LWC) to the Inquiry into the work of British Waterways (BW) by the Environment, Food and Rural Affairs Committee. It was not possible to obtain the views of the Commissioners on the LWC before the deadline of 15 January but it nevertheless felt important enough to warrant a response of some sort from myself as chair of the LWC.

2. BACKGROUND & LWC MEMBERSHIP

The London Waterways Commission was set up early 2006 to inform the Mayor of London of issues relating to the Blue Ribbon Network and to bring together the main agencies dealing with waterways issues in London. The LWC meets quarterly at City Hall, The Queen’s Walk, London SE1 2AA and has the following membership from statutory bodies, community and user groups and activists:

Organisational Representatives

Richard Rutter, British Waterways
Robert Runcie, Environment Agency
Richard Everitt, Port of London Authority
Keith Gardner, Transport for London
Michelle Washington, London Development Agency
Gary Beckwith, Visit London
Deborah Leach, Thames21
Barry Edwards, River Thames Society
Rogers Squires, Inland Waterways Association
Jill Goddard, Thames Estuary Partnership
George Nicholson, London Rivers Association
Archie Galloway, London Councils
Cllr Brian Haley, London Councils
Cllr Barry O’Mahoney, London Councils
Cllr Graham Eustance, London Councils
Tony Denton, Thames Water
**Individual Representatives**

Del Brenner, Regents Network

Gerry Heward

Jonathan Rosenberg

Lindy Kelly

Jim Walker, Walk London

Tom Bogdanowicz, London Cycling Campaign

Michael Mainelli

### 3. LWC Terms of Reference

The agreed terms of reference with the Mayor’s office are listed as below for the LWC:

1. To advise the Mayor on prioritised issues relevant to the Blue Ribbon Network

2. To co-ordinate activities in relation to the implementation of policies relating to the Blue Ribbon Network

3. To consider how the plans and programmes of the agencies represented on the commission align with the Mayor’s Blue Ribbon Network policies and seek better alignment of these with the Mayor’s policies (Please see appendix 1 for a full description of the Blue Ribbon Network or BRN⁵)

4. To organise and oversee two London Waterways Commission stakeholder events.

5. To consider matters relating to accessibility, transport, industrial, wildlife, landscape/design, culture, residential, leisure and any other relevant use of the Blue Ribbon Network

6. To advise on and if appropriate, seek funding for research projects

7. To ensure that the research programmes of the members of the Commission are better co-ordinated and avoid duplication.

8. To facilitate communication and integration of the work of the Commission across the GLA Group.

### 4. Issues Considered by the Committee

#### 4.1 Current users of the Waterway network and their relationship with British Waterways

BW is a DEFRA public corporation which, among others, covers the London Region but as such does not have a direct relationship with London government. This is well illustrated in Appendix 2 which shows no lines of communication on the bases of political control, resources, consultation and appointments between BW and either local government, the functional bodies of the GLA or the Mayors office or other statutory organisations involved in the management of London’s waterways.⁶ This lack of accountability is the reason why so many user groups, ranging from residential houseboat owners to freight operators to those pursuing leisure interests along the waterways have been keeping a keen eye on BW activities and will no doubt have great interest in this inquiry.

As a result of this democratic deficit, the London Waterways Commission was set up under the joint chairmanship of Jenny Jones AM (Green Party Assembly Member who resigned in September 2006) and Murad Qureshi AM in January 2006. The Commissioners listed under item 2 represent statutory bodies, London councils and user groups of both London’s canals and rivers. As the LWC’s terms of reference show under item 3, the LWC Commissioners are the custodians of the Blue Ribbon Network within the Mayor’s London Plan. We deal with a lot of topical matters like the freight opportunities presented during the construction of the Olympic site in Stratford and the recreational and biodiversity potential of the site as part of the Olympic legacy. We are also dealing with a lot of constituency work for those whose interests have not been represented over the years along London’s waterways (like residential boat owners and commercial operators). At present, we are dealing with the strategic issue of boatyards with a survey being conducted along the lines of the protected wharf scheme already established within the London Plan.

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4.2 Financial framework of BW and the impact of changes in Defra’s budget

BW had budgeted to receive £73.5 million in funding for this year. £62.5 million would have come from Defra and £10.9 million from the Scottish Executive. Although the latter will still be paying the agreed amount, Defra has cut its part of the funding by £4.5 million (7.5%). This comes on top of the £3.1 million (5%) cut it had already announced in March 2006. This would mean a total loss 12.5% Government funding for BW. Even though they are on the back of major increases since 1997, these cuts will result in a decline of facilities both in London and the rest of the country.

Apart from the obvious job losses at BW these cuts will also have a significant impact on our waterways. It is likely to lead to a long-term decline in essential maintenance work and restoration projects. With the British canal system being over 200 years old, less funding for the organisation in charge of looking after it will result in less attention for essential maintenance on the canals. Furthermore, a lack of funding may lead to an increased focus on commercial activities and developments on the waterways at the expense of safeguarding historic sites, important infrastructure and wildlife.

While the extent of the revenue cuts that will fall on the London Region is not yet clear, it is apparent that the tension will be particularly acute in London, being the region with the most commercially viable sites for development. This will go against the general thrust of the BRN in the London Plan with its emphasis on saving wharfs and boatyards. This is an area of major concern for the LWC.

Furthermore, these cuts are occurring at a time when we are seeing major infrastructural investment in London’s canal network by many other parties like development corporations, the Olympics and GLA family of functional bodies in freight and recreational use as outlined below.

4.3 Recent developments in stewardship work and commercial activities of BW, including its property portfolio

British Waterways’ direct income has increased considerably with its total profits on the sale investment properties of £14.8 million in 2004-05 from its commercial activities on its property portfolio. However, it is not clear where these profits are being invested and what stewardship work is being funded. As it is the mission of BW to manage, maintain and develop the network of waterways and locks for public benefit, it does need to be much clearer about where this is being invested. Moreover, it appears that others are investing more in the infrastructure of London canals then BW. A case in point is the approved forthcoming investment in Prescott channel. This project involves the impoundment of the channel to make a stretch of canal accessible for river freight vessels and is likely to benefit the Olympics. A stretch of the Bow Back Rivers in the Lower Lea Valley that is not currently navigable up to Stratford will be canalised to promote sustainable freight movement for supplies of building materials and aggregates to the Olympics as well as providing a sustainable network for waste disposal out of the Olympic site.

The total cost of this investment is £16.9 million with the Department of Transport (DoT), London Thames Gateway Development Corporation, the Olympic Development Authority (ODA) and Transport for London (TfL) putting in the bulk of the capital funding whilst BW will only invest 2.36%. Despite this minor investment by BW, it will be an asset on their balance sheet after delivery and will no doubt earn it much licence fees over the years.

The full breakdown of the costs is as follows:

Prescott Channel impoundment Cost contributions breakdown

<table>
<thead>
<tr>
<th>Contribution</th>
<th>Cost (m)</th>
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<tr>
<td>London Thames Gateway Development</td>
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</tr>
<tr>
<td>ODA</td>
<td>5.0</td>
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<tr>
<td>TfL</td>
<td>4.0</td>
</tr>
<tr>
<td>DoT (via Freight Facilities Grant)</td>
<td>2.5</td>
</tr>
<tr>
<td>British Waterways</td>
<td>0.4</td>
</tr>
<tr>
<td><strong>Total Costs</strong></td>
<td><strong>£ 16.9</strong></td>
</tr>
</tbody>
</table>

With developers throughout London and the local authority planning system investing in major sites along the Blue Ribbon Network, the actual investments of BW’s profits can be further challenged when it is successfully getting others to fund and undertake repairs and upgrade major future investments into the canals of London.
4.4 Potential for growth in leisure and freight use of the waterway network

Investment in freight and recreational uses along the canals should be an area of critical investment for BW in London, particularly from the surpluses it makes from its property portfolio which seems to be an untapped potential so far.

In this respect, it is worth stating two of the policies within the Mayor Of London’s “The London Plan” (February 2004) and it’s draft alterations (May 2006):

Policy 4C.14 Freight uses on the Blue Ribbon Network
The Mayor will, and boroughs should, support new development and facilities that increase the use of the Blue Ribbon Network to transport freight and general goods, especially in areas of deficiency.

The earlier mentioned £16.9 million capital investment into the impoundment of Prescott Channel to make the stretch along Bow Back Rivers in the Lower Lea Valley navigable for river freight vessels particularly for the 2012 Olympic site (discussed in section 4.3) is a clear example of this use.

Policy 4C.16 Increasing sport and leisure use on the Blue Ribbon Network
The Mayor will, and boroughs should, protect existing facilities for sport and leisure on the Blue Ribbon Network. Other than in locations where there would be conflict with nature conservation interests, new development and facilities that increase the use of the Blue Ribbon Network for sport and leisure use should be encouraged, especially in areas of deficiency. Proposals for Opportunity Areas and Areas for Intensification should provide these facilities and improve access to different sport and leisure activities.

One of the major opportunities to implement this policy is provided by the Olympic site itself and the canals and rivers leading into or surrounding it. As part of the planning process, TfL have commissioned consultants to identify “flagship” walking and cycling routes on towpaths adjacent to waterways in a five-mile catchment area around the Olympic park for investment. This should help regenerate many towpaths in the East End, which have been derelict for decades.

Much of the thrust of the London Plan with regards to the waterways of London will be implemented by planning applications submitted to local authorities complying with the requirements of the London Plan. Thus, its implementation is dependent on developers applying the principles of the BRN in the London plan, with local planners in local authorities verifying the undertaken and the Mayors intervention used only sparingly. Critically, much of the implementation will be undertaken by local government officers who need to be made fully aware of the requirements and emphasises in the London Plan.

4.5 Relationship between British Waterways and Central Government departments, Regional Development Agencies and local Authorities

As discussed under item 4.1, there is a democratic deficit in the way British Waterways is governed and better communication channels on the bases of political control, resources, consultation and appointments should at be encouraged to make British Waterways more accountable to Central Government as well as local and regional Governments.

4.6 Conclusion

To summarise, we have continuously supported British Waterways against the cuts to its revenue funding from DEFRA. Despite this support we would like to see a lot more transparency of its property arm activities and prefer to see its surpluses invested into the maintenance of critical infrastructure like boatyards as well as freight and leisure activities along the London waterways. This will be the only way in which BW can truly contribute to the Mayor’s vision for London and to help making it a world-class green city.

Murad Qureshi AM
Chair of the London Waterways Commission (LWC)

February 2007

Memorandum submitted by C B Holmes (BW 55)

I am unable to appear in person at the forthcoming hearing but submit my evidence as follows:

I have been a user of the waterway network since 1977. I started by hiring boats to go boating with my family. For nine years from 1985, I hired boats to take Scouts boating at Easter. In 1991, I bought my own boat that enabled me to escape from the stress of running an engineering company for as many weekends as I could. I retired from work in 1996, since when I only return home for weddings, funerals and Christmas. The remainder of the year I enjoy this unique heritage of ours from as many places as possible. I moor up, shop, catch a bus, visit cities, towns and villages, visit markets and historic monuments in the company of many other likeminded boaters.
Our waterway network is the “Last of Britain’s Glory” and should be given every assistance possible in order to remain so. It is the envy of the rest of the world. Visitors from the Americas, Europe, Australasia, South Africa and many other countries come boating and benefit the economy of our country. They have nothing to compare it with back home.

I help (as a geriatric navvy) on canal enhancement schemes, in particular with the Shropshire Union Canal Society, spending the Society’s hard earned funds for the benefit of boaters, walkers and anglers. We work in close harmony with British Waterways who would not be able to consider such schemes without our assistance.

I urge the government to support British Waterways to keep our canals from deterioration so that future generations may enjoy this 200 year-old piece of Great Britain.

C B Holmes
March 2007

Memorandum submitted by Ken Pragnell (BW 56)

Unfortunately, I will not be unable to attend the public hearing in Gloucester on 16 April 2007. However, I would like the following points to be considered by the committee, as part of their inquiry.

1. Government funding of BW (and any other public body, eg Environment Agency) should be established, in advance, through an agreed process that takes into account the financial needs of the organisation to carry out its statutory responsibilities and implement any relevant government policies. Once agreed, it MUST be protected from arbitrary cuts being applied part way through the year, without any reasoned consideration of the consequences. Late, unplanned changes to funding are very wasteful of public money, as they inevitably lead to cancellation of projects on which money and resources have already been spent or irretrievably committed. They have no place in any professional management process.

2. Responsibility for management of the UK’s inland waterways is unnecessarily fragmented between many bodies (including BW, EA, Norfolk Broads, National Trust, local authorities, charitable trusts, etc). This leads to:

   — inconsistent aims, processes, by-laws, etc
   — differing licencing arrangements,
   — duplication of management and administration systems, and
   — variable approaches to safety (eg: Boat Safety Scheme is not universally applied).

Rationalisation, preferably to cover all the bodies but at the very least BW/EA, ought to lead to significant improvements in the use of public funds (reduced overheads, etc) and lead to a much more consistent operation of the inland waterways as a national resource.

Thank you for taking the time to read this submission.

Ken Pragnell
March 2007

Memorandum submitted by Graham Fisher MBE (BW57)

ISSUES TO BE RAISED

These are encapsulated in the following synopsis . . .

1) There are serious concerns within the waterways movement as to the long-term effects of such drastic and wholly inappropriate cuts. My members are gravely exercised by the implications for canals in general and in particular the Staffordshire & Worcestershire Canal (Stourport to Great Haywood) whose interests we of the Staffordshire & Worcestershire Canal Society (SWCS) seek to represent. This is not a latent interest; our membership figures have this year alone increased by some 15% and the calls for a much deeper respect to be shown for our waterways, both in terms of their heritage and their future potential, are clearly becoming more focussed and vocal.

2) Many of my members can recall the parlous state of inland waterways a couple of generations ago. Some of them have accrued more than 40 years service in active canal restoration. They see this latest threat as unacceptable.

3) But on wider issues it is beyond reasonable dispute that the renaissance of inland waterways has played a key role in the leisure boom and the consequent revitalisation of Britain’s economy. Job creation, heritage preservation, environmental enhancement, real-estate development, habitat management and much more are all a matter of record. The deleterious effects of these cuts on localised economies could be catastrophic;
it has, for example, been estimated that the village of Kinver in South Staffordshire derives in the order of £50k per annum from waterways tourism. When repeated along the entire length of the canal this has a substantive impact on the whole canal corridor. I quote Robin Evans, Chief Executive BW (Annual Meeting, 12 October 2006 at Birmingham) when he stated “our waterways are not the preserve of middle-class boaters but are an essential part in the daily lives of millions of people”.

4) There are those waterways-based initiatives, such as the Government’s own much-lauded water freight proposals which may now be thwarted even before they have had chance to fully come to fruition. Similarly there are issues of Health and Safety on our waterways and the inevitable loss of huge pools of irreplaceable knowledge and talent that cannot be overlooked or ignored. The list continues yet the tragedy of all this is that it is so avoidable and, moreover, hardly the fault of those who are now being made to pay. The gravity of the situation also rests uncomfortably against previous well-publicised Ministerial assurances that funding would be forthcoming in the event of major problems with, for example tunnels, embankments and cuttings all of which require regular and ongoing maintenance.

5) BW appear confident that they can again ride this storm. But, based on the very real sense that we have seen all this before on so many previous occasions, I am not so optimistic and I have grave misgivings that we are inexorably falling over the edge of a dark abyss that is leading the entire waterways movement back to where it started. This cannot, must not, be allowed to happen. Our waterways heritage is unique and for that reason per se deserves better.

Please note:

a) Whilst the facts and nuances contained in the above piece may have been previously cited as a basis for informing SWCS members (as part of SWCS campaign against cuts) the text reproduced here is compiled entirely by the undersigned, is of entirely original content and has not been otherwise distributed or disseminated previously.

b) I would be willing to attend the hearing on 16.4.07 to offer submission in person, if requested.

RELEVANT BACKGROUND DETAILS

Professional sector includes

- Proprietor G Fisher enterprises, inland waterways specialist (writing, researcher, TV & radio broadcaster and Grade 2 MCA Boatmaster)
- Partner Spence Associates, solutions to the inland waterways industry
- Former Consultant Advisor GEOprojects (UK) Ltd Cartographers
- Former Review & Special Features Editor Canal & Riverboat Magazine (now Canals & Rivers)
- Ad hoc freelance supplier to British Waterways and related waterways bodies

Voluntary sector includes

- Chairman of Staffordshire & Worcestershire Canal Society (under whose auspices this submission is entered)
- Events Coordinator Cotswold Canals Trust annual Saul Festival
- Harbourmaster, bi-annual Parkhead Gathering of Boats
- Former Press & Publicity/General Secretary Lapal Canal Trust
- Member/supporter of several other local waterways organisations
- Highly Commended Webb Ivory Fundraiser of The Year 1986
- Inland Waterways Personality of the Year 2005
- MBE (services to inland waterways) 2001

I have owned various boats (currently a 1929 historic narrowboat) and also steer commercially on the waterways of the Midlands and south west. I am thus a regular user of inland waterways with experience of them stemming back to 1966.

Graham Fisher MBE
Chairman
Staffordshire & Worcestershire Canal Society

March 2007
Memorandum submitted by Mrs Carolyn Finbow (BW 58)

My background is as a long time leisure user of the UK canal system who intends to make much greater use of it on my near retirement. Britain’s inland waterways offer a tranquil way of seeing the countryside and towns near the canals thus keeping many polluting cars off the roads.

Vital work to open up and restore old canals and their locks extends this experience and new moorings create valuable revenue not only to BW but to local communities where they are sited. Growth in the use of the canals for freight creates more opportunities for income to plough back into the system as well as diverting freight away from our crowded roads.

I believe that long term the entire system should be extended and upgraded and traffic encouraged to use it as a major measure in our battle to reduce greenhouse emissions.

This seems so eminently sensible to me that I find it very strange that DEFRA having made an error for which they have had to pay dearly, should seek to reduce the budget of an organisation which has made no such error, to balance their own books!

Mrs Carolyn Finbow
March 2007

Memorandum submitted by John Rhodes (BW 59)

Over the years I have come into contact with British Waterways on several occasions. Mainly with regard to the Gloucester & Sharpness Canal. In this relationship I can clearly say a pattern has developed.

British Waterways have constantly put people from using the Gloucester & Sharpness Canal.

Incident 1

We were boating along the G & S Canal when we were nearly swamped by a large launch careering along the canal at well over the lawful speed limit. Our boat just about did four knots flat out—these launches were coming the other way at twice our speed setting up a huge wash that was breaking on the edge of the canal. The wash came aboard our boat—not dangerously so—but we had to bail water out. We reported this to the lock keeper and he reported back to us that these launches were in a hurry to get to Sharpness and lock out into the River Severn. Our complaint was never acknowledged officaly even though we gave the name of the launch to the lock-keeper. He had passed the message on without any success.

The launches were breaking the law in speed and in allowing their wash to break on the banks. No one did anything about this because we were just a little boat & possibly I did not have a tie on.

Incident 2

Several times over the years we used to get a short term licence on the G & S Canal to use our 2.4 metre motor boat. This we did over a number of years. One bank holiday about three to four years ago we were stopped by the river police for using our motor boat on the canal. I had a licence valid for a week. They said that the boat was too small to be on a ship canal. I said there were no ships on the canal so why could that be a reason for throwing me off the canal especially as I already had a licence. They then insisted that I took the boat off the water on a bank holiday. I had my family with me & we were very disappointed & saddened by the B.W. attitude.

I made a complaint and their action was upheld (by their sta) despite my stating there were no ships on the ship canal—“ever” at this time. Also that maritime law stated that accidents—like running down a small boat was not allowed by ships or boats and was a criminal offence as the watchkeeper would in fact be negligent to do such an action. As a person with a commercial skippers licence (up to 23 metres) I have been taught the law and trained on suitable sized craft and I actually have my own 72ft tug.

I found the B.W. staff though nice enough were intractable, seemed to be making up the rules as they went along, and were not prepared to listen or help. It turns out that the boss of the area was with the B.W. officer when she enforced her point of view and made us leave the water. Several months later I spoke to the G & S boss on the phone and he had recognised me (on that day on the canal) from an interview I had had with him a year or so previous to this incident. I did not recognise him at the time as he was with the BW officer and never made any comment nor revealed who he was.

Those are two incidents on the canal itself.

There were further occasions that I had to complain.
INCIDENT 3

For about six months I was trying to set up a series of events at Gloucester Docks to raise funds for my tug and for the Gloucester and District Model Club that I belonged to along with my son. For ages I tried to get sense out of BW and the Gloucester Dock Company or whatever they called themselves. In the end I gave up as there was no interest at all in what I was trying to achieve.

INCIDENT 4

The above mentioned Gloucester & District Model Boat Club were given lots of hassle over their annual model boat show. Then the building works started and they were pushed out.

INCIDENT 5

The docks are so built up now that there is little room for events of any reasonable size. There is no room for commercial shipping operations. Rumour has it that B.W. want to force out the only maritime commercial operation in Gloucester Docks—the Dry Docks and repairs business next to the B.W. offices. The rumour was compounded by commercial valuers looking over the dry docks and actually saying that the area was up for rebuilding. The dry docks is the last sign of the docks historic past, all the other buildings are transformed into “nice, tidy & clean” accommodation or shopping malls.

INCIDENT 6

The rebuilding of the Cotswold Canals—The Stroud Canal & the Thames & Severn Canal are being rebuilt. There is no intention of having commercial traffic apart from “cruisers” using them. The depth of water will be 4ft and the max depth of the locks 6ft whereas if the depth of water was 8ft and the locks 8 ft there would be the possibility of commercial industrial transport using the canal in the near future when traffic will have to be alleviated by alternative transport systems.

The canal system as an alternative for commercial “industrial” traffic will only be viable with loads of 40–80 tonnes. This means depth of water, docksides for loading and unloading, not just keys for people to use the toilets showers and pump outs.

Very little thought has gone into the realistic use of canals for extra revenue apart from stinging the punters for as much as possible whilst doing as little as possible.

INCIDENT 7

The dredging of the Sharpness & Gloucester Canal.

This was carried out by a Dutch company blowing the mud and weed off the bottom of the canal.

Hence the canal got difficult to use as many boats had their water intakes clogged by weed.

INCIDENT 8

Trying to Tender for B.W. works.

After many years of trying to get work out of the management of B.W.—Tree Surgery is my business—we never received any tenders or even acknowledgements of any applications for work. Finally last year I was told that we had to get on a certain list in order to receive tender applications. This list costs £1,500 to get onto with no guarantee that work would come up or tenders sent out in that year. Without this we cannot get any work off B.W. nor can we be invited to tender for work.

There is a government Portal called—support@supply2.gov.uk—which is free to local businesses in order to get over the problems of costly “special” lists and enable the government departments and quangos to get cheaper quotes and reduce their spending. Not B.W.

INCIDENT 9

There is a three year waiting list for moorings on the S & G Canal. If they are short on money then they should open up more moorings.

I hope the above gives you some idea of the type of administration that B.W. are carrying out.

Over the last two to three years I have personally noticed that less and less traffic uses the canal. This is due to them putting off people who want to use the canal commercially or privately. If you want to do something on the canal they will try their hardest to put you off.

John Rhodes
March 2007
Memorandum submitted by Michael Shefras (BW 60)

I am chairman of Thames Valley Region Royal Yachting Association; Deputy Chairman of Association of Thames Yacht Clubs; Chairman of River User Group 8 (Representing river users from Teddington to Windsor) and Co-ordinator of Thames User Group (Navigation)—an umbrella body of all the regional governing bodies on the Thames.

The Thames Navigation is responsible for 75% of the Environment Agency registration income and using the Ministers own statistics 24% of the complete navigations.

The Inland Waterways Association addressing the committee suggested that the way forward would be a “National Navigation” organisation, not fully specified. This might be their opinion, but it is not necessarily the opinion of those I represent. Under the headings above my constituency amounts to between 15,000–20,000 boaters. I believe that this is such an important issue it could require fuller consideration specifically to address the factors not initially apparent in the IWA proposal.

The above bodies have not yet had the opportunity to debate where the future management of navigation should be. It is work in progress within the EA Funding Strategy. My personal opinion, and I must stress it has to be a personal opinion, as I do not yet have any mandate is that the responsibility for RIVER NAVIGATIONS remains with the Government Body responsible for complete River Basin Management.

Even more important with the work now being carried out dealing with the EC Water Framework Directive.

I would ask the committee to consider this view before making any definitive recommendation. In the coming weeks and months the matter will be discussed by the various navigation governing bodies and I am sure that these organisations will address the matter in depth and make their official view known.

I had not previously responded to the committee as it appeared to address BW issues which are not part of my mandate but would of course be prepared to attend any hearing if required.

Michael Shefras
March 2007

Memorandum submitted by Gary Sutcliffe (BW 62)

1. Our concern is that the DEFRA cuts are affecting many of the indirect Commercial benefits that the navigable waterways have created for the nation.

2. The UK waterways are an example to, and have led the world, in demonstrating the many and various values of maintaining, preserving and “cleansing” navigable waterways.

3. The 1872 UK Rivers Purification Act instigated a “green” culture. To avoid polluting and generally respect the environment is a priority to those involved with UK inland boating. To “pump-out” is simply part of a regular routine. This has created a specialized business in the manufacture of quayside pumps and on board holding tank systems.

4. My company’s Chairman, Chris Coburn, has spent his working life developing the products that enables inland boating to be so respected for its responsibility to the environment. He spear headed the introduction of international standards (ISO 8099, small craft toilet waste retention systems). He was recently awarded the MBE for services to inland waterways. Lee Sanitation is supplying an increasing amount of equipment abroad. Currently about 20% of turnover. Amazingly, most other countries are only now becoming conscious of a need to improve water quality standards in their navigations.

5. Before joining Lee Sanitation I was Engineering Manager for British Waterways on the River Severn and Sharpness Canal. Having been responsible for British Waterways business with Lee Sanitation I was aware of the company’s technical and commercial development. It was the company’s export potential, to markets that were then only beginning to mention pollution that attracted me to employment with them.

6. There are a number of companies that have invested a great deal of time and effort in developing systems to improve the Waterways for the Nation and my concern is for these companies as well as my own, that after all this investment many will struggle to fill the void that the loss of business from the waterways will produce.

7. BW and the EA are major customers of my company and much of our development has been in satisfying their needs. The DEFRA cuts are responsible for a substantial reduction in our “home market” and without this our export business does not have the basis of support that is essential by way of a healthy home market. There are other business’s similarly effected.

8. I would appreciate the opportunity of presenting the effect of the DEFRA cuts to the select committee.

Gary Sutcliffe
Operations Director
Lee Sanitation Ltd.

March 2007
Memorandum submitted by Nigel Moore (BW 63)

1. My name is Nigel Moore. I am resident on a boat within the offline basin run by Brentford Yacht and Boat Co Ltd within the Greater London area.

2. I have been resident here since the beginning of 1990, have run Brentford Marine Services, a boat repair and maintenance firm, since 1995; owned and ran the landlord company Ridgeway Motors (Isleworth) Ltd from 2001 and am Company Secretary now of both BMS Ltd and Brentford Yacht & Boat Co. Ltd.

3. From 2002 I was elected as a Representative of the Mayor’s Thames and Waterways Stakeholders Forum, sitting on the Thames and Waterways Steering Group responsible for informing the Mayor on waterways policies to be included in the London Plan. From 2005 I have been Chairman of the Brentford Waterside Forum advising Hounslow Council on all planning matters to do with the waterways, and am Waterways Advisor to the Brentford Community Council, an independent planning advisory body established in 1989.

4. As individual boat owner, marine business operator and waterways advisor, I have been actively engaged with British Waterways over the years, and have become increasingly concerned with the effect of their prioritisation of income over the purpose of that income in terms of their guardianship.

5. I would wish to give evidence to the committee if invited, that documents BW’s relationship both with the marine businesses I operate and with the Council whose planning decisions I have been involved in defending at Public Inquiries.

6. The issues involved relate to:
   — current users of the waterway network and their relationships with British Waterways;
   — commercial activities of British Waterways, including its property portfolio;
   — potential for growth in leisure and freight use of the waterways network; and
   — relationships between British Waterways and central Government departments, Regional Development Agencies and local authorities.

Nigel Moore
March 2007

Memorandum submitted by John Jackson (BW 64)

I am a registered coal merchant and my business is delivering solid fuels by boat to waterside premises, some of which have no road access. My deliveries are roughly half domestic retail, and half wholesale to boatyards and the like. I have been plying this trade since 1994 and it is my sole means of income. I wish to raise the following points:

1. Winter “Stoppage Programme” effectively precludes long distance navigation for five months of the year.

2. Scheduled works not being carried out, and then being scheduled for the following year, resulting in further disruption to the planning of boat movements.

3. Information about variations to works is not disseminated to British Waterways “front of house” staff. It is often impossible to find out if works are to progress or if they are cancelled.

4. Alternative through routes between major centres are, with one exception, never provided, even though promised in the past by British Waterways.

5. Depth of canal available for meaningful navigation is nowhere near an acceptable standard. I believe that the management of British Waterways have no real conception of the true state of the problems caused by lack of dredging.

6. Depth surveys carried out by third parties for British Waterways are not comprehensive enough, and clearly do not show the extent of existing problems. I have been struggling through mud and silt in the same places for years, only to be told that the survey shows no problem.

7. Silt has been building up in the same places since the canals were built; for example, tails of locks, narrow bridges etcetera, yet the people in charge of dredging tell me that these works are difficult to quantify.

John Jackson
March 2007
Memorandum submitted by the Ashby Canal Association (BW 65)

Users of the Waterway

1.1 The Ashby Canal Association is a charitable body which campaigns for the conservation, use, maintenance, restoration and development of the Ashby Canal.

1.2 The Ashby Canal is an historic waterway and a valuable amenity designated as a linear park and conservation area. It provides for leisure boating, walking, angling and cycling as well as nature conservancy benefits to the area.

Impact of Changes in DEFRA's Budget

2.1 As a direct result of the Defra cuts to British Waterways budget in 2006 £1 million pounds was axed from the phase 2 repair works to Shenton embankment, on the Ashby Canal, in this financial year and £1.5 million from phase 3 repairs in 2007–2008 financial year.

Instead of a major repair and stabilisation of the embankment only effective patch up of the worst areas is now possible. The embankment overlooks the site of the Battle of Bosworth 1485, which attracts many thousands of visitors a year.

2.2 The implications of not carrying out the major repair works are that we are living with the risk of a failing embankment. The consequences of which at Shenton would be highly significant due to the sheer volume of water on what is effectively a stretch of water in excess of 60km in length. The effect in the local area would be massive and not only have the potential to flood local properties, put locals lives at risk but also to cause significant damage to the historic battlefield site.

Potential for Growth

3.1 The network of Inland Waterways in the UK is unique. No other country in the world has such an extensive canal system, the majority of which is over 200 years old, it is our heritage and as such should be saved and passed on for future generations to enjoy and learn from. It attracts many thousand visitors each year from across the globe and provides employment in construction and tourism. In the 1950’s it was a scene of dereliction and decay, lack of investment and changes in transport systems had all but killed it off. The resurgence in the 1990’s has revitalised the network with more boats, walkers, visitors and development than ever before. City centres are being reborn around the canals, London, Birmingham, Manchester, Sheffield, Leeds and Nottingham to name a few.

We must not let this investment be wasted but maintain the work that has been started and continue the funding to British Waterways to facilitate the improvements and maintenance that this historic network so richly deserves.

The Ashby Canal Association
March 2007

Memorandum submitted by Mike Clarke (BW 66)

1. I am a canal and industrial historian, and have been involved professionally in conservation and restoration for over 35 years. I have had several books on canal history published, and recently wrote the section on European and British canal history for Encyclopedia Britannica. I also undertake historical research work for British Waterways.

2. I am concerned about the sale of property by British Waterways, particularly historic buildings.

3. British Waterways’ core business is the maintenance and operation of a 200-year-old canal system. Over the years, the way in which this system has been used has changed dramatically, and it continues to change. By the sale of property, British Waterways is restricting its ability to adapt to these changes, and to provide the best service to the general public.

4. The current failure of British Waterways to find a new site for a head office close to London is one outcome of the policy of selling off canal side buildings. With a business which is continually having to change to adapt to new challenges, the sale of assets because they seem to have lost their current importance will result in difficulties, or much higher costs, when developing new uses, particularly for leisure or tourism.

5. Of more concern to me is the alteration to the historic environment which the sale of buildings entails. Already many of the lock keepers’ cottages which have been sold as surplus have been altered, particularly by the erection of fences and other barriers not necessarily covered by planning legislation, in such a way as to destroy the historic integrity of their immediate canal side environment. By keeping control of such assets, it would be possible to conserve our historic canal environment and heritage in the best possible way.
6. I do have some sympathy with British Waterways, given that Government funding has consistently undervalued to role of our canal system with regard to heritage, education and leisure. More needs to be done by Government in stating specifically what it requires and what funds should be applied to the various functions which British Waterways are expected to undertake.

Mike Clarke
March 2007

Memorandum submitted by Councillor Genevieve M Hibbs (BW 68)

1. WHO I AM AND WHY I HAVE AN INTEREST IN THIS INQUIRY

1.1 I have been an elected member since 2002. I am now part of the coalition Executive in the London Borough of Hounslow.

1.1.1 Planning has been a major interest of mine from 2002 to the present, and I have been on the local and main, Sustainable Development, committees. I have attended CABE sponsored, councillor planning training with London Open House and am currently attending cross disciplinary planning training by Urban Design London.

2. ILLEGAL BRIDGE AT BULLS BRIDGE

2.1 Early in my experience as a councillor, in 2004, I opted to coordinate the response of residents to an application for a private bridge to be built over the Grand Union Canal.

Unsuitable Location

2.2 The bridge was to be located within 500 metres of the division of the canal at Bulls Bridge to serve the Paddington Arm as well as the new Hayes By Pass bridge (less that 20 years old), in one direction, and a similar distance in the other direction to the longstanding Western Road bridge. There would then be four bridges within some 750 metres, including two new ones.

2.3 The footings of the bridge would obtrude into the towpath on one side and into the canal itself on the other.

2.3.1 The cut in to the towpath would be sufficiently to prevent vehicles gaining access. The fishermen would not able to access this very popular fishing competition location. Low-loaders would no longer be able to gain access to enable the residential boats to be raised for servicing.

2.3.2 The bridge was designed to cut into a 120 year old residential wharf with its footings in the canal. Existing facility for the residential boats to be raised on the their side of the canal would be prevented by the other footings of the bridge being in the canal itself, and cutting the residential wharf in two

2.3.3 British Waterways made no representation to oppose the design of the bridge which is clearly contrary to their own guidelines. BW bridge design guidelines are mostly VERY well hidden (as are other inconvenient papers).

The London Plan

Policy 4C. 22 Structures over and into the Blue Ribbon Network

The Mayor will, and boroughs should, protect the unique character and openness of the Blue Ribbon Network. Proposals for new structures should be accompanied by a risk assessment detailing the extent of their impact on navigation, hydrology and biodiversity, and mitigation measures proposed to address the adverse impacts identified. Proposals for structures over or into the water space for uses that do not specifically require a waterside location should be resisted.

4.126 Structures across and into rivers and canals are vital for effective communications and service provision. Bridges are also monuments and tourist attractions. New structures should be restricted to structures that support activities that specifically require a waterside location or help Londoners to appreciate the Blue Ribbon Network. Where structures are needed they should minimise their navigational, hydrological and biodiversity impacts.”

3. BRITISH WATERWAYS ADVICE ABOUT SETTING BACK FROM THE CANAL

3.1 01130/D/P10 Westway House Unit 6, Transport Avenue, Brentford TW8 9HF.

Erection of three storey extension to existing storage warehouse. (see Appendix 1)
Scale and Massing

The excessive height of the proposed extension is considered to be wholly inappropriate, given the close proximity of the canal edge.

Overshadowing

The siting of a three-storey extension, which is so close to the edge of the canal creates a detrimental impact on the canal side and canal ecosystem.

3.2. Isleworth And Brentford Area Committee—16 December 2004

Westway House, Unit 6, Transport Avenue, Brentford. (Osterley and Spring Grove)

5.1 The amended proposal comprises a three storey extension. The main changes being that the proposal has been reduced in height and pulled away from the boundary of the site.

5.2 The building is extended on its northeastern side of the existing building and wraps around the existing building. This will fill in the majority of what is currently an external storage area that fronts the canal. The northwest side elevation will measure 9.2 metres and the southeast side elevation will measure 13.0 metres. The proposal will be approximately 3.0 metres from the boundary of the site with the Canal Towpath and the length of the elevation facing the towpath is 49.2 metres. The proposal has a height of 10.20 metres, providing three floors and a gross floor area of 1,814 square metre. The proposal will result in two new employees.

4. Commerce Road

4.1 British Waterways clearly had a conflict of interest. This was in terms of its advice on the suitability of the Commerce Way application. However, it chose not to make a point of noting that in its response to the Hounslow Planning Department.

4.1.1 British Waterways advice made no comment about relationship of this massive development to the towpath (by contrast with the Westway application (above). There is no provision for soft landscaping for most of the length, as the huge buildings come so close to the towpath.

Sustainable Development Committee 7 November 2005

REFERENCES
P/2004/2600 and /2596 P/2005/0230 and /0264 00297/R/P1 and /CA1
00297/R/P2 and /CA2

Address: Land and Buildings at Commerce Road, Brentford

6.5.25 British Waterways Board

In their letter dated 7 October 2004, make a general observation about the role of British Waterways and that appropriate redevelopment of land is welcomed provided it:

— improves the character of the waterscape;
— increases the general public’s appreciation of the waterways; and
— Enhances the environmental attributes of the waterways.

They then confirm that British Waterways do not wish to make any representations.

However, they would wish to see informatives added to any permission regarding any discharge of surface water; works in, on, under, above or adjacent to the waterway; and the towpath. In their letter dated 23 February 2005, state that British Waterways has previously raised no objection and elaborate in respect of freight and design:

“Freight . . I can confirm that BW has carried out an assessment of freight potential in the Brentford area, including the application site. The former freight dock area at Brentford was operated by BW up until the 1970s, but has not seen commercial activity for some considerable time. The local assessment concluded that the Covered Warehouse (which forms part of the application site) is not suitable for freight use . . .

Design . . . the waterspace allows a mix of uses for residential and business purposes, together with the provision of new permanent and visitor moorings. BW has set out the brief for the new docks and has agreed their shape, character, landscape and accessibility. BW is very confident therefore that the resulting development will achieve a high quality waterside environment and fully supports the proposals.”.

4.1.2 At the British Waterways User Group in Ealing Town Hall following that meeting, British Waterways were questioned about issues that they must have had with ISIS over the planning application for Commerce Road. They told us that they had sorted out all the issues before the application was submitted and that no records had been kept.
4.1.3 At an earlier point in the same meeting, British Waterways explained how transparent they were being in their relationship to British Waterways Marinas and how important that was. They did not seem to understand there was any similar need for transparency in their relationship to ISIS.

4.2 The Commerce Way application is destructive to the navigation potential of the canal.

4.2.1 There are commercial operators who gave evidence at the Public Planning Inquiry, who could and would like to immediately fully use the current trans-shipment facilities. There are no remaining alternatives. The location of the Brentford Basin which allows access for large vessels away from the tidal Thames, onto the canal network to Liverpool, and where the transhipment can take place is unique.

4.2.2 British Waterways has destroyed commercial business on the site by a policy of short and restrictive leases.

4.2.3 The proposed “finger-locks” are a charade. They are more damaging to navigation than helpful to it.

5. There are numerous British Waterways sponsored applications to block navigation with non-waterway uses.

5.1 eg Soaphouse Creek. Business barges which would prevent safe navigation from the tidal Thames to the Grand Union Canal.

Genevieve M Hibbs
March 2007

APPENDIX 1

LETTER TO THE BOROUGH PLANNING OFFICE, LONDON BOROUGH OF HOUNSLOW FROM BRITISH WATERWAYS, 7 OCTOBER 2004

PLANNING AND COMPULSORY PURCHASE ACT 2004
TOWN AND COUNTRY PLANNING ACT 1990
WESTWAY HOUSE, UNIT 6 TRANSPORT AVENUE, BRENTFORD, TW8 9HF
ERECTIO N OF THREE STOREY EXTENSION TO EXISTING STORAGE WAREHOUSE
PLANNING APPLICATION REFERENCE NUMBER: 01130/D/P/10

British Waterways is a public body set up under the Transport Act 1968 to manage, maintain and preserve the network of canals and other navigations. As a statutory consultee in the planning process BW are entrusted by the government to aid developers in maximising a development’s relationship with the built and natural environment. Appropriate redevelopment of land is welcomed provided it:

— improves the character of the waterscape;
— increases the general publics appreciation of the waterways, and
— enhances the environmental attributes of the waterways.

It is in this context that all comments are made.

Having regard to the drawings provided, British Waterways object to the proposal on the grounds of scale and massing, overshadowing and safety.

SCALE AND MASSING

The excessive height of the proposed extension is considered to be wholly inappropriate, given the close proximity of the canal edge.

OVERSHADOWING

The siting of a three-storey extension, which is so close to the edge of the canal creates a detrimental impact on the canal side and canal ecosystem.

SAFETY

The excessive overshadowing of the towpath would reduce the safe navigation of the towpath for pedestrian and other traffic. Eg cyclists.

In addition to the objections raised above, British Waterways request that the following informatives be attached to any consent notice, should the Council be minded to grant planning permission for the proposals.

“The applicant is advised that any discharge of surface water into the waterways requires British Waterway’s written permission before development commences.”
“All works in, on, under, above or adjacent to the waterways must comply to the British Waterways Code of Construction Practise Note.”

“Any closure of towpath during construction must be agreed in writing with BWL before development commences.”

Yours sincerely

British Waterways

Memorandum submitted by the Wyvern Shipping Company Ltd (BW 69)

BACKGROUND AND EXPERIENCE

I have known the canals since 1960 and have been working full time as a boat builder and hire boat operator since 1972. I first did contract work for BW under the Tring Scheme in 1974 and have done contract work off and on for BW ever since but not in the last four years since the last BW reorganisation. I have first hand experience of most canal maintenance including piling, dredging, towpath cycle ways, grass and hedge cutting, tree felling and vegetation management.

Over the years I have won best lock awards at Soulbury Three Locks, Stoke Hammond lock and Leighton lock. I also have experience with working with volunteers a skill sadly lacking within BW since the reorganisation.

ISSUES IN RELATION TO THE SUB-COMMITTEE’S INQUIRY

It is very important that BW receives annual guaranteed funding from central government so that BW can budget correctly and employ the right number of staff. For BW to take on staff on the belief they have the funding to do so and then to have to pay redundancies if the monies are not forthcoming is very costly, very inefficient and demoralising for BW staff. As a result essential maintenance work on the waterways either is not done or becomes prohibitively expensive due to lack of BW staff and expertise. BW needs regular funding to ensure that D and E Condition structures are made good before they become very expensive to repair or even collapse. What is needed is central government funding that is not dependent on the success or failings of a large government department like DEFRA.

The general public has been sadly misled by BW in thinking that for BW to buy and run properties and Marinas would result in profits being available for extra funding for canal maintenance. As a private businessperson I know that any profits made from running a marina or public house or holiday cottage etc must be put back into those properties/businesses to ensure a profit the following year. For BW to try and compete with the private sector is unrealistic especially with the higher wages they have to pay in comparison with the private sector.

The potential growth and public support for our waterways is vast and growing day by day as more people make use of our waterways and they are by far the biggest leisure facility in this country. What we want is more canals to satisfy the growing public demand and BW must learn how to make better use of volunteer labour and work better with Regional Development Agencies and local authorities to build new canals and restore existing canals. BW are renowned for being poor partners when it comes to joint funding mainly due to lack of expertise and commitment.

The Wyvern Shipping Co. Ltd

March 2007

Memorandum submitted by Dr David Hilling MBE (BW 70)

POTENTIAL AND PROBLEMS FOR FREIGHT ON THE SEVERN

1. Over the centuries, the Severn has been a main artery for freight movement and facilitated the development of agriculture and industry along its course. Ironbridge became an important centre in the metallurgical industries and an important river port, Bridgnorth was an important trading and boat building town, Bewdley and Stourbridge had close links with Midlands industry and Worcester, Tewkesbury and Gloucester were larger towns of historical and trading significance. The construction in the early 19th century of Gloucester Docks with their “ship-canal” link to the Severn (the Gloucester & Sharpness Canal) transformed the city into a major inland port with associated industrial activity.

2. The Severn retained its significance as a freight artery until comparatively recently and is an interesting example of a waterway which came to be controlled entirely by one authority (British Waterways) from the ship dock at Sharpness, the G & S Canal, Gloucester Docks, navigation on the Severn to Stourport, freight
depot at Worcester and for a time the principal operator of freight barges on the G & S and river. BW therefore had an interest in the two types of traffic which characterise our waterways—internal (barge) and sea-going (coastal and foreign). Arguably BW had an influence on this waterway which it did not possess on most others and the question arises—did it use this influence in a positive or negative way with respect to water freight?

**Sea-going traffic**

3. In 1976 tonnage through Gloucester amounted to 258,000 and through Sharpness 542,000 tonnes and in the early 1980s the total nudged one million tonnes with BW actively promoting its cargo-handling services along the Severn Corridor. After this there was steady decline and while Sharpness is still active, movement of sea-going ships by way of the G & S to Gloucester has been almost eliminated with just the occasional ship to Riga Wharf to pick up abnormal loads.

4. A main problem is the limiting dimensions of the G & S canal which at 62.5 × 9.45 × 3.5 metres provides access for vessels of about 750-tonnes capacity or when suitably designed a maximum of 1,000 tonnes. There are considerable economies of scale in shipping and it has become increasingly difficult for agents on demand to find suitable tonnage to get up to Gloucester. In 1974 BW was saying that problems were created by the restricted tidal window at Sharpness, about which they could do nothing, and by navigation along the canal restricted to daylight hours. Their plans to implement 24-hours navigation came to nothing.

5. A once significant traffic in oil products by sea-going ships to Gloucester and on to Worcester and Stourport by barge went into sharp decline with the closing of the Llandarcy (Swansea) oil refinery in the early 1980s and by an ever extended network of distribution pipelines. In 1985 a small Freight Facilities Grant was awarded to West Country Fuels at Monk Meadow, Gloucester, to improve distribution of oil products to farmers. This was a short lived operation.

6. The relocation in the 1980s of the Serck Baker engineering firm to Riga Wharf on the G & S just south of Gloucester and the strengthening of the load bearing wharf surface was specifically designed for the handling of abnormal indivisible loads (AILs) produced by Serck Baker (oil/water separation plant mainly for use on oil production platforms) or on occasions by other companies. This use of sea-going ships or pontoons eliminated road hauls to other ports or across country to places such as the Tyne where the platforms where constructed. This is a facility which could, and indeed should, be used with greater frequency given the Government’s expressed policy of water as the preferred mode for AILs. One is still waiting for definitive action to implement this policy. BW could have done much more to publicise the advantages of water transport demonstrated by use of the wharf.

**Barge traffic**

7. Above Gloucester barges of approximately 350 tonnes are able to navigate the Severn to Worcester and 150 tonnes on up to Stourport. BW was actively promoting freight on the Severn until the 1980s and had its own carrying fleet and general freight depots. BW discontinued carrying in its own right and its interest in freight then seemed to go into terminal decline. The lack of freight expertise at board level and the recent management reorganisation in response to reduced Defra funding has effectively eliminated experience of freight from the management team. To make freight just another responsibility for regional managers is not creating the right impression at a time when environmental concern suggests greater not less emphasis on waterborne freight. Someone will have to make the running.

8. The transformation of Gloucester Docks into what the Americans might call a “people place” and the current development at Worcester along similar lines does little to encourage freight—and once the wharves have disappeared one can forget about freight movement on the waterways. While the planning guidelines suggest that there should be replacement facilities where wharves are redeveloped there is little evidence of this in practice.

9. The Allied Mills of Healings at Tewkesbury with its waterside location has long used barge transport and was a focus for grain movement and this was the last substantial traffic on the river. Much of the grain used was from North America imported via Avonmouth from where it was barged to Tewkesbury but European sources gradually started to dominate in the 1970s with road haulage from main importing centres and home-grown grain was also becoming much more important—this generated some local barge movement—Worcester and Gloucester to Tewkesbury.

10. Healings had navigation problems and for a time were running their barges only part loaded to reduce draught necessary because of inadequate maintenance dredging. In 2006 Healings put their two remaining self-discharging barges up for sale.

11. This raises several related issues. Investment in new barges has to be based on long-term contracts and all barge operators have to provide customers with some guarantee regarding the operating conditions (eg channel conditions). For its part BW has to ensure that channel dimensions in fact conform to published data otherwise the barge operators can offer his customers no guarantee of fulfilling contracts. This effectively brings one back to funding and effective maintenance.
Where did the Severn Corridor go?

12. In 1983 and in response to some of the problems already noted BW announced its plans for a large increase in the freight-carrying capacity of the Severn. The G & S was to be enlarged to allow movement of 2,500-tonnes sea-going ships to Gloucester and 1,500-tonnes to Worcester, the latter being the equivalent to the standard European barge. Much publicity was given to the “sea gateway to the West Midlands” and consultants identified 1.1 million tonnes of potential sea-going traffic to the inland destinations. Although frequently ignored, a distinct advantage of waterways is that they are multi-functional and there is therefore scope to share costs between interested parties—environmental interests, drainage, flood control and water abstraction being the most obvious. Bristol draws large quantities of water from the G & S and flooding is a regular problem along the Severn. The MEP for the area gave great support to the scheme since much of the generated traffic would be with Europe. It was, he said, “a transport corridor ripe for development” with few UK waterways warranting improvement on the scale being proposed.

13. The Severn Corridor project was initially to be implemented over 15 to 20 years but this was reduced to 10 years only for the whole scheme to be quietly shelved and without any reasons advanced. An integrated scheme based on a degree of joined up thinking which is rare. This abandonment seems to have coincided with BW’s general loss of interest in freight and a new emphasis on “regeneration” and “property” as generators of income. Cargo handling and freight is rarely a high income generating activity but it might be hoped that BW would adopt a longer term view of the their role especially in these times of growing concern for the environment.

The future

14. While there is little hope of resurrecting traditional traffics there are two areas of optimism for the future—aggregates and waste/recyclables and to a lesser degree possibly AIL.

(i) Aggregates

Long term it would seem that the demand for aggregates will continue to rise and along a river such as the Severn there are considerable deposits of workable aggregates. In the 1980s the then RMC built a ready-mixed concrete plant close to Riga Wharf on the G & S with proximity to the Gloucester ring road. It was a planning condition that raw materials should be barged in—this could have been sea-dredged by way of Sharpness or from riverine deposits. Although planners saw this as a way of encouraging greater use of water transport the plant is still served by road.

However, aggregates have been worked at Ryall for some time and there is a washing, screening and sorting facility alongside the river. CEMEX, the present controlling company, started to work the Ripple deposit a few miles south and with use of water transport again a condition of approval in 2004 they obtained a FFG to provide wharves with loading and discharge facilities at Ripple and Ryall. These are now operational and over 250,000 tonnes has been moved over the short distance between the two site since operations commenced—about 200,000 tonnes a year. Barges of 180-tonnes capacity operated by Thompson River Transport were acquired from BW and have smart new liveries. Distribution from Ryall is by road but the object is to supply the Gloucester concrete plant by barge. There have been satisfactory trials with one of the 180-tonnes barge but these are far from ideal over the longer distance to Gloucester and an unladen trial with a 380-tonnes barge was completed satisfactorily. However this has not been brought into use and there would seem to be an unsolved conflict between the barge operator and BW. The reasons for the delay are far from clear—need for further channel improvement (some was done)? lack of suitable discharge facilities at Gloucester? problems created by works on the Two Mile Bend and swing bridge? There is considerable scope for increasing this traffic but it clearly depends on a degree of cooperation between the parties concerned that hitherto would seem to have been lacking. If channel improvement is the main problem then the funding arrangements must be addressed.

(ii) Waste/recyclables

Traditionally these have not been moved on the river in any systematic way but a preliminary unpublished study by the Inland Shipping Group of the IWA (2001) showed that the present collection, consolidation and disposal of waste was highly fragmented in management, to a large number of land-fill sites and dependent on road transport. Parts of Gloucestershire adjacent to the river alone generate 1,300 lorry journeys a week.

There are strong arguments for rationalising the waste disposal and clearly an option would be short road hauls to riverside consolidation points and barge movement to a suitably located incinerator with energy generating capability and recycleable sorting centre. Sharpness has been suggested as a possible location for an incinerator and regular and considerable barge traffic could be generated. As presently funded it seems unlikely that BW could be involved so again the funding question has to be addressed.
It seems that a new form of funding would be desirable and rather than BW try to cover the costs of freight from its general grant and income it should be a responsibility of the DfT rather that Defra—freight interests do not sit cosily in Defra!

Dr David Hilling

Retired academic geographer with particular interests, research and publications in the field of maritime transport, inland waterways and port development. Author of book Barge Carrier Systems (Benn, 1978) and Transport and Developing Countries (Routledge, 1996) and nearly 100 papers.

Fellow of the Chartered Institute of Logistics and Transport.

Recipient of the Institution of Civil Engineers Alfred Robert Carr Prize, 2000, for work on inland shipping and the maritime link.

Member of the Defra/DTLR Freight Study Group which reported in 2002.

Member of the inland waterways committee of Sea and Water, water freight promotion group set up following recommendation of Freight Study Group.

UK Vice President of the European River Sea Transport Union, Berlin based water freight promotion group.

A Vice President of the Inland Waterways Association and Vice chairman of its Freight Group.

Member of the steering group for Association of Inland Navigation Authorities’ report on Planning for Freight on Inland waterways (DfT/Defra, 2004).

Dr David Hilling MBE

March 2007

Memorandum submitted by Mrs Ann Davies (BW 71)

I am Mrs Ann Davies, proprietor of Napton Narrowboats, a company that has boat hire locations on the Oxford Canal and Shropshire Union Canal. We have been in this business for 18 years.

I am the current Chairman of the British Hire Cruiser Federation, an organisation dealing Nationally with British Waterways, The Environment Agency and The Broads Authority, a past chairman (2002–05) of the Association of Pleasure Craft Operators, primarily dealing with British Waterways. The Chairman (of BHCF) is also a member of the British Waterways Advisory Forum. I am an elected member of the Waterways Ombudsman’s Committee, and a Director of the BMF. Most recently I am also Chairman of the Midlands Marine Alliance, an organisation developed to work more closely with Advantage West Midlands and East Midlands Development Agency, to promote the whole marine industry in the Midlands.

My concern about the recent changes in DEFRA’s funding of British Waterways relate to the situation that preceded and led the publication of “Waterways for Tomorrow”

Prior to 1997 the hire industry had been in slow and steady decline. Each year would be a threat of closure or severe restriction of travel due to lack of water supply. This happened regularly. The impact of this on customers’ confidence cannot be underestimated. The constant uncertainty also meant that financial institutions were either reluctant or would not fund any private investment.

The situation changed in 1997 when BW instigated new water supply measures and the introduction of additional backpumping facilities. Unlike new reservoirs these require annual funding for the operation, but without such measures we would quickly return to the days when summer holiday customers would demand their money back due to water restrictions. A lock restriction, rather like a hosepipe ban costs very little but this would have a devastating consequence on our industry, with a more long-term effect on customer confidence compared with the short-term effects seen in the Foot and Mouth incident. The performance of British Waterways over the last 10 years means there is an expectation of supply.

Since 1997 the hire industry has stabilised somewhat and there has been significant growth in some sectors, particularly shared and private boat ownership. Our company and others in the industry have had the confidence to invest significant money in new boats for holiday hire. This investment would be at considerable risk if we were unable to operate due to water supply problems.

British Waterways must be adequately funded to ensure that the £147 million of revenue attributed to inland hire and marinas, and the 2,800 people employed (source—BMF UK Leisure and Small Commercial Marine Industry Key Performance Indicators 2005–06), is not put at risk.

The growth in other boat ownership sectors has put increasing pressure on the availability of overnight and visitor moorings on some waterways. This impacts on boat hire customers’ enjoyment of their holidays, and if not addressed will deter any future growth in the holiday hire market. Holiday hire boats bring visitors and spending power to the countryside without any additional strain on infrastructure, roads and car parking requirements. It is a sustainable eco-friendly holiday option and one of England’s unique selling
points from a more global perspective. It is therefore also necessary to effectively fund BW in order that their enforcement procedures for illegal moorings and licence evasion are adequate. These activities, rather like policing, are an on-going expense.

Mrs Ann Davies
March 2007

Memorandum submitted by Gillian Smith (BW 72)

1. I work as an IT Manager for an Engineering Services and Project Management company in Coventry. I was introduced to the canals some six years ago and have progressed from an annual weeks holiday, via an investment in a trip boat, to owning a pair of commercial narrowboats with the intention of running a cruising restaurant in the Midlands. The latter previously belonged to a liquidated company that was successful in what it delivered but struggled with the infrastructure and subsequently failed. I understand from the records the original company suffered long delays and loss of business because of problems, particularly planning, dealt with by British Waterways and this was the subject of a successful formal complaint.

2. The purchase of my boats from the liquidator, although drawn out was short compared to the negotiation process with British Waterways, which is still ongoing. The business has excellent potential and good public support. It could provide a substantial trading licence income for BW but they are hampered by their rules and lack of commercial vision. These rules, or conditions, appear to be ignored however if it suits an undisclosed purpose. For example, despite being in full negotiation with BW and having submitted applications seven weeks earlier, I was served with a 28-day notice for a licence issue and threat of losing my allocated mooring. Yet for several months, there have been boats displaying out of date or no licences moored in the same area.

3. From my point of view it is apparent that different areas of BW do not communicate well and lines of responsibility are unclear. For example the commercial management should be responsible for commercial moorings and separate from other types of moorings, eg residential. That would ensure that any business visions for an area are followed. It would also ensure that where necessary tender processes are followed to give BW the best return on any investment. In my case, whilst negotiating with one BW manager another department allocated a critical commercial mooring without reference and this then came as a surprise to the person who was dealing with my applications, which has now stalled.

4. To encourage more businesses onto the canals there needs to be a better understanding of commercial requirements and the ability to compromise. Whilst not wanting special favours, the requirements for businesses are very different to that of a holiday boater with all the regulations that need to be followed. BW need an understanding of all these in order to provide options that work. For example Heath and Safety, Environmental Health.

5. There also appears to be resistance to change. It is great to have traditions and the old working boats but a modern audience can demand a different approach. The general public have a view that boats are cold and damp and really only for the summer. What I intend to offer is different and will dispel some of that thus bringing people onto the waterways. I just hope my business eventually gets a chance, before my working capital runs out.

Gillian Smith
March 2007

Memorandum submitted by Stuart Sampson (BW 73)

Who pays for vandalism?

I am submitting this topic without the mandate of NABO so please treat this as an individual viewpoint. However I would suspect that it is representative of many waterway users.

The waterway network is under continual attack from the less well intentioned members of society, particularly in urban areas such as Liverpool, Manchester, Leeds, Sheffield, Northampton, Falkirk and the Black Country. This is a continuing headache and resource drain on the navigation authorities.

In particular it would not be fair for British Waterways to be expected to shoulder this expense without public funding. Unfortunately only BW could provide you with figures but examples include:

— vandalism of the Tividale boaters’ facility block on the BCN, now totally abandoned;
— the same with facilities at the top of the Ashton Locks in Manchester;
— a lock-keeper to escort boats through the Tinsley Locks in Sheffield;
— escorted passages through Liverpool;
— manpower to apply and remove security measures on the Leeds and Liverpool in Leeds;
— similar requirements and escorts on the western end of the Rochdale;
— continual problems around the Falkirk Wheel;
— an ongoing programme to fit “Water Conservation” devices to locks in urban areas, eg Berkhamsted; and
— the never ending war against graffiti.

I would urge the Committee to recommend funding from the “community purse”, perhaps the Home Office or DCLG in compensation, and for more community service schemes where offenders work on the maintenance of the waterways as is being done in the West Midlands.

Stuart Sampson

March 2007

Memorandum submitted by North Cheshire Cruising Club (BW 74)

1. The North Cheshire Cruising Club (NCCC) was formed in 1943 and has occupied the High Lane arm of the Macclesfield Canal since formation. We have leased the arm from British Waterways or its predecessors continuously since 1948. We are a company limited by guarantee. We are the oldest cruising club on the narrow canals and have 260 current members. We have had a number of leases from BW or its predecessors and last year completed exhaustive negotiations with BW Wales and Border counties region for a 10 year lease. In addition we organise a wide range of canal based activities and our members cruise the whole of the connected system extensively. We are therefore uniquely qualified to comment on the questions you have posed.

2. Over the last five years we have noticed an increasingly hard nosed attitude to their tenants by the Board, no doubt driven by the new financial regime. In previous years the Board has accepted responsibility for operational matters such as dredging, in our new lease we have been forced to accept responsibility, similarly with environmental matters they also sought to limit our rights under the Landlord and tenants act. Further we were required to pay the board’s very substantial legal fee for the preparation of the lease, which was inflated by poor drafting on the part of their team. When we demurred we were told bluntly that the fees were not subject to negotiation! This strongly contrasts with the paternalistic shared responsibility attitude that we previously operated under and our resentment is heightened by the knowledge that the board previously agreed to dredge the arm but failed to carry out this promise. Also any silt accumulation comes from the board’s property as would any environmental contaminants. All this has resulted in substantial increases in club fees.

3. Another example will serve to illustrate the appalling lack of tact of the office staff, last Christmas Eve they phoned our secretary and stated that they were intending to serve us notice to quit a piece of land, adjacent to the canal, we have tended and used throughout the life of the Club and for which we hold an absolute title deed! This contrasts strongly with the helpful attitude of the on the bank operational staff when a breakdown occurs, nothing is to much trouble for them. This contrasts strongly with the indifference previously exhibited by operational staff.

4. One final example is of the labyrinthine organisation that BW has become. We the NCCC act as licence agents for BW, for which we receive commission, but recently we have been having difficulty with the receipt of commission and our officer wrote to the address on the letter head to clarify a point. The letter was returned “address incomplete” Upon phoning the Leeds number, no one knew anything about the subject. Finally she phoned the Watford number this was diverted to Leeds but still failed to make contact.

5. We do not feel competent to comment on the development of freight on the canals except to observe that the standards of dredging would have to improve considerably to make it viable, and as many canals now support more boats than in the commercial days, use of locks would have to be carefully regulated to avoid conflict with other users.

6. We feel that the above points together with the growing limitation on routine maintenance occasioned by the Defra’s cuts are detrimental to good relationships and the long term future of recreational boating. To sum up, we feel the BW has a poor attitude towards customer care, and acts in a disjointed way when dealing with what are important matters for us. As a result we feel that we have had to pay out a lot of money unnecessarily.

Dr Noel Christopher
Director North Cheshire Cruising Club for and on behalf of the Board of NCCC

March 2007
Supplementary memorandum submitted by North Cheshire Cruising Club (BW 74a)

Sir, I know that the date for submissions has passed but another incident that illustrates how BW are not acting as a joined up organisation came to light over the bank holiday when we received a letter from their NW Division fundamentally altering a boating event they had promoted in Liverpool.

The event would have brought much needed traffic to the Liverpool end of the Leeds and Liverpool canal and a colourful spectacle of 120 boats to Albert/ South Dock in the centre of the city. Now for some unspecified reason the city council have moved the venue to a minor dock away from the centre and are only allowing 9 boats to moor. This has caused us and many of our club members to have to fundamentally recast our cruising plans and a substantial number of members were intending to visit us and stay in local hotels which will now be cancelled.

Further, the requirements for the cruise required boaters to have self inflating lifejackets and VHF Radio which some members have already purchased which are now wasted.

We would have thought that a firm commitment to the venue would have been an absolute prerequisite to the successful planning of such an event and the recasting of this high profile event at short notice is another example of the lack of sympathy of BW management to boaters.

Dr Noel Christopher
Director North Cheshire Cruising Club for and on behalf of the Board of NCCC
April 2007

Memorandum submitted by Captain John Graham Thompson (BW 75)

My name is Captain John Graham Thompson and have been in the maritime industry, last 40 years first at sea working my way up to captain in 1972. Part of this time was spent on tankers sailing the Severn.

In 1975 acquired my own 750 tonne cargo ship, this was to be the first of many. In 1975 founded Torbay Seaways & Stevedores Ltd operating cargo handling at Torbay. 1978 started a freight services running from Torquay to Channel Islands. 1979 founded Thompson Ship Charters company which owned up to 33 vessels through its time. 1982 founded Torbay Seaways RO-RO Passenger Ferries Service Torquay/Channel Islands. 1985 founded Seaways Freightliner Ltd and started the first Channel island Liner service running from Poole. 1991 I sold all the companies except the stevedores which I still operate today.

1992 founded English Holiday Cruises and designed and built the Oliver Cromwell, England’s first inland cruise ship. In 2000 I designed and commissioned the building of a new vessel called Edward Elgar. Both these vessels are purpose built for the Severn navigation they still operate under the new owner as I sold the company in 2004 after 12 years.

The main reason for selling was to concentrate my time into promoting freight traffic back on the Severn in line with Government guide lines, in 1995 I formed a company Thompson River Transport and purchased six 180 ton barges from BW and converted three of them into motor barges. These undertook work transporting dredged materials from Gloucester to Purton each winter. In 2005 we succeeded in obtaining the contract to transport RMC sand/gravel on the river Severn.

It is also my intention to build with BW a new wharf at Worcester to replace the one sold for development. BW gave an undertaking to replace the facility lost with a new wharf. I have over the past two years been finding a suitable site for the port, also undertaking geological survey at our expense having asked BW if they will honour their word but have still not received an answer only they would back an application for FFG but knowing that if they’re not investing into this project we cannot rely on them to maintain the navigation depths needed for the vessels to sail to Worcester as we have seen in the past.

I have also undertaken to contact shippers/receivers regarding possible cargoes and are happy with our finding having interest up to 128,000 tonne p/a but all this has been put on hold seeing we are the only persons interested in prompting freight. BW has done nothing at all to help the promotion so much so a copy email sent to me from Steve Dunlop states that they intend to seek a revision to the requirements for depth required from 10ft down to 6ft. If this happens the navigation is closed to all commercial shipping. So much for following Government guide lines.

The potential growth for freight is there. But there needs to be a will but at the present time there is no will with the BW management team which is not fit for purpose. The users feel we have gone backwards since the 1990 when a manager asked how do you create slack water? That says it all.

Captain John Graham Thompson
March 2007
Memorandum submitted by Cotswold Canals Trust (BW 77)

I write as Chairman of the Cotswold Canals Trust. The Cotswold Canals is the generic name for the Stroudwater Navigation and the Thames and Severn Canal; together linking the River Severn, from Saul Junction on the Gloucester and Sharpness Canal, to the River Thames at Lechlade. This waterway of 36 miles is the sole remaining unrestored cross country link.

BACKGROUND

The forerunner of the Trust was formed in 1972 to protect the line of the Stroudwater Navigation from further damage by road works following the building of the M5 motorway. Over the years this has developed into restoration of structures, re-watering and trip boating. Much of the towpath is designated as a public right of way. Further stretches are used as permissive paths.

In July 2001 the Cotswold Canals Partnership was formed, which includes amongst others, the Local Authorities, Environment Agency, South West Regional Development Agency, with British Waterways as the lead partner.

In April 2005 Proprietors of Stroudwater Navigation granted British Waterways a 999 year lease.

Phase 1a has attracted £11.9 million Heritage Lottery Funding, together with £6 million from the SWRDA with commitment from other partners for this £24 million project.

REGENERATION

I have seen a growing confidence in the area since this restoration scheme has gathered pace. Developers are taking on brownfield sites, once empty shops of Stroud are trading and the general public is looking forward to enhanced facilities. However, the recent budget cuts for British Waterways have introduced a level of uncertainty which is most unwelcome at this stage.

British Waterways is seen as the enabler; to unlock the potential of the Stroud valleys in the west and the Cotswold Water Park in the east, with the added benefit of revitalising the upper reaches of the Thames.

Should you wish, I would be willing to enlarge on these points at your meeting in Gloucester.

Bruce Hall MBE
Chairman, Cotswold Canals Trust
March 2007

Memorandum submitted by Grantham Canal Restoration Society Limited (BW 78)

I wish to make submissions on behalf of British Waterways with regard to their recent cuts of funding from Defra.

British Waterways (BW) have been put in an almost impossible position, not just by the cuts to their budget, but in the way they have been implemented. In March 2006 they were advised that their grant would be reduced by 5% (approximately £3.1 million) in the financial year. BW had some weeks prior notice, so they adjusted their budgets and reduced planned expenditure to accommodate this reduction. The budgets given to every business unit and department within BW for the year took account of the 5% cut. The further cuts of 7½% (£4.5 million) and 2½% (£1.5 million) in the Autumn put BW under impossible pressure to maintain their programme, and they were forced to make redundancies totaling 160 key personnel. They had to cease restoration programmes (which BW support in principal), in order to preserve what now amounts to insufficient budget to carry out routine maintenance on navigable waterways within their jurisdiction.

The overall effects of this situation, not caused by any fault of BW, are devastating. Key engineers and front line personnel have been lost to BW, and morale amongst those remaining appears to have plummeted to a low not seen for over 20 years. Even well committed staff are so disillusioned they have accepted voluntary redundancy. Even if BW grants were to be restored for the period 2007 to 2012, it is unlikely that any of the personnel laid off would return to what they perceive may be a very uncertain future.

The consequences of the reduced budget to BW are threatening to destroy all the good progress made by the government under their flagship of “Waterways for Tomorrow”. For the sake of what, to Government spending, is comparatively miniscule in terms of the loss of a few £ millions each year to BW’s budget, a great reverse is now likely to take place to our waterways, waterways that are acknowledged to be a National Heritage site. At risk is £6 billions of regeneration for which BW have been acting as deliverer and catalyst. BW must be funded properly to carry out the maintenance required to keep our waterways in good order. Not to do so endangers their fabric and safety. BW may have to close sections of navigation if funding is insufficient. This would have a devastating knock-on to related waterside and support industries, and to tourism. Have we, in Britain, so large an industrial base to create wealth for the nation now, that we can afford to jeopardise this alternatively based waterways industry?
Another important aspect is the disillusionment now being felt by the Volunteer Sector, without whom much of our restored waterways would have been lost, and many waterways, threatened with closure and abandonment, would not have been saved. BW now feels it cannot afford to have restoration success by volunteers to continue on remainder waterways, as they could not afford to maintain such navigations, due to lack of funds, and the restrictions placed on them by the 1968 Transport Act. A case in point is that on the eastern end of the Grantham Canal, in Lincolnshire, which was made navigable by the Grantham Canal Restoration Society for 4½ miles. This was carried out by the Society and associated waterway volunteer groups in 1994, by the restoring of three locks, removal of a disused mineral line embankment obstructing the canal, the restoration of a footbridge to navigation height, and the successful negotiations with the local and county authorities to replace a lowered road bridge to one of navigable height. Over a period, 2½ miles became badly silted, and trees in a long cutting became dangerous, some leaning and some falling across the canal. The GCRS applied for £350,000 funding, to rectify this, from the East Midlands Development Agency, and were successful. Before they were permitted to receive the grant, BW East Midlands had to check with their executive that it was in order for them to do so. This is the effect that loss of budget has caused BW, loss of confidence in themselves in what is perceived as an uncertain future. The latest advice to volunteers from BW is not to undertake major works of restoration, but to undertake litter picking and painting!!!

Unless government wants to see what is arguably its one true and tangible success, sink out of sight, it needs to urgently “push the lifeboat out” to save it’s waterways flagship.

Christopher Tizzard
Chairman, Grantham Canal Restoration Society Limited
Member of the Grantham Canal Partnership Executive
Associate Member of the Parliamentary Waterways Group

Memorandum submitted by Mr Ceri Mark Fielding (BW 80)

BACKGROUND/EXPERIENCE

10 years residential boater in Oxford.

Qualified Inland Waterways Boat Master. Used to drive narrowboat restaurant Rosamund the Fair.

Helped establish low impact moorings in Oxford [Local Agenda 21] with BW.

ISSUES TO RAISE

Fitness of BW to manage the network? Overpaid and under-performing, this is a national asset, not Dunkin’ Donuts! Profit-driven management cannot maintain or improve the network. BW has completely forgotten its obligations and responsibilities as a public body, becoming instead a private property development company, putting profit before all other considerations.

Asset stripping the network, rendering both leisure and freight expansion unworkable. They should be OBLIGATED to keep at least one working wharf in each town/city instead of selling all sites to highest bidder [especially working boatyards].

Recent publicised “protests” by boaters against cuts in BW funding. This apparent direct action by the boating public was actually orchestrated by BW PR, using BW affiliated canal groups.

Network should be offered to EA to overseer, with local “Community Interest Companies” managing individual canals, ie give the canals back to the people that restore them, use them, value industrial heritage. This way the canals can be run by people that love them, as opposed to a glorified management retirement scheme.

Residential moorings fees. Arbitrary price increases, no consistent policy other than excessive rises in moorings prices @ 10%/year. Like it or not, boats represent the only affordable housing option for many people in the SE Boats need boatyards for essential services and maintenance.

Castlemill Boatyard, Jericho. Give it back before it’s too late! See www.jcby.co.uk

Mr Ceri Mark Fielding

March 2007
Memorandum submitted by Rugby Borough Council (BW 81)

On behalf of the Council I would like to comment upon the importance we attach to our working relationship with the local British Waterways organisation.

We at the Council have been very pleased to have British Waterways on board in several of our regeneration activities, which have been aimed at bringing visitors and local residents onto the Oxford Canal.

We have worked together to revitalise major sections of the canal, with towpath improvements, canal access improvements, decorative floodlighting, reparation projects and the redevelopment of redundant canalside buildings. Indeed we are at present undertaking further towpath improvements and a picnic site. Much of this work has attracted many other partners who have experienced the benefits of working with us to achieve common aims and objectives.

These projects have been crucial in addressing Rugby tourism aspirations as well as encouraging healthy lifestyles for our residents.

The opportunity to address these issues and work with a like-minded organisation, such as British Waterways, has been key to the progress we have made. The ability to work with people who accept responsibility for progress on agreed projects that meet common goals with common priorities is vital to the Council’s abilities to move forward with this key asset.

As the Council sees this excellent working relationship as fundamental to achieving our future aims for the canal, it is vital that this continues in the distant future.

The canal does represent an important element in the tourism product the Borough has to offer and a place of growing importance to residents as we continue to promote the benefits of a healthy lifestyle. Long may it continue to be so.

I trust that the forgoing will be interest to your deliberations.

Councillor Neil Campbell
Rugby Borough Council
March 2007

Memorandum submitted by Port of London Authority (BW 82)

1. This memorandum is submitted by the Port of London Authority, the statutory port, harbour and navigation authority for the tidal River Thames, and is intended to address the Sub-Committee’s interest in the potential growth in freight use of the waterways network, particularly that administered by British Waterways. Although it is submitted by the PLA and therefore solely relates to the experience in the Port of London and the tidal River Thames, the context and issues it presents are relevant to a number of other members of the United Kingdom Major Ports Group operating estuarial ports.

2. The PLA’s administrative area and statutory duties extend to a distance of 150 km from the landward limits at Teddington to the seaward limits in the outer estuary, which roughly equate to a line drawn between Margate and Clacton. The PLA, as a port authority, is under the auspices of the Department for Transport, although the Port of London and River Thames is also defined as an inland waterway, its constituent terminals being wholly within the defined Smooth Water Line and a substantial number located upstream (west) of the defined Inland Waterways Boundary upstream of the Port of Tilbury.

3. The tidal River Thames is, by a considerable margin, the most heavily trafficked inland waterway in the UK (source: Waterborne Freight in the United Kingdom in 2005, published by the Department for Transport), lifting almost 40% (equating to 19 million tonnes) of the total goods lifted within the UK’s inland waters in 2005 and almost 45% (equating to 0.70 billion tonne-kilometres) of total goods moved within the UK’s inland waters. In terms of internal traffic (defined as all non-seagoing traffic between wharves situated wholly within the SWL), the pre-eminence of the River Thames is even greater, lifting almost 55% (equating to 1.81 million tonnes) of the total goods lifted in 2005 and a comparable percentage (equating to 0.09 billion tonne-kilometres) of total goods moved. Particular increases in the volumes of internal traffic handled were noted in 2005 by the PLA within Greater London.

4. Bulk cargoes, both dry and liquid, dominate the list of cargo types transported on that part of the River Thames defined as an inland waterway, with the transport of aggregates in particular exhibiting substantial growth during 2005. However, unitised cargoes are transported and handled as far upstream as Dagenham.

5. The PLA is currently involved in a number of trials which should increase the volumes, upstream distribution and types of cargoes handled on that part of the River Thames defined as an inland waterway. Furthermore, the PLA would submit that there has recently been an increased willingness of both existing Port of London operators and businesses keen to obtain representation on the upper reaches of the Thames to investigate the opportunities of shifting the currently road-based transport of cargoes to the River Thames. This, the PLA considers, is as a result of a combination of both “push” and “pull” factors, and in particular the strong policies promoting the transport of freight on the River Thames adopted by the Mayor
of London within the London Plan (the Regional Spatial Strategy for London), including the protection of riparian land facilitated through the wharf safeguarding policy originally sponsored by the PLA, and also continuing high levels of traffic congestion on the capital’s road network. Financial measures, and particularly the congestion charge and, positively, the Government’s Freight Facility Grant regime, are also notable factors in this examination of modal shift within London away from the roads.

6. The River Thames, in common with the UK’s other main estuarial ports, offers a number and variety of links into the wider inland waterway network, notably to those administered by British Waterways (the River Lea and the associated Bow Back Rivers from Bow Creek; the Grand Union Canal from both Limehouse Basin and Brentford; and the remaining water spaces within the Isle of Dogs) and the Environment Agency (the non-tidal River Thames from Teddington). Apart from the waterborne transport of aggregates from terminals on the River Thames to floating concrete batching plants within the Isle of Dogs used in the construction of major development projects, which has and continues to represent a substantial volume, and the very occasional transport of abnormal indivisible loads, the PLA is unaware of any current flows of cargo between the Port of London and other parts of the capital’s inland waterway network.

7. Notwithstanding that the principle of wharf safeguarding by ministerial direction has not been applied, as it has on the River Thames, to the remainder of London’s inland waterway network, the relevant policies within the London Plan promoting freight transport by water apply to all of London’s waterways. However, its discussions with operators leads the PLA to believe that there is minimal recognition of the potential of the capital’s inland waterway network for the transport of freight and, furthermore, issues and questions as to the feasibility of the waterway itself and its associated infrastructure to physically handle substantial volumes of freight.

8. The PLA believes that it is bulk cargoes, and particularly dry bulks, that offer the greatest potential for an increase in cargo transfer from the River Thames to the capital’s inland waterways administered by BW. Almost 50% of all the aggregates sold in the capital are handled at wharves in Greater London (source: London Aggregates Monitoring Report 2000–03, published by the Greater London Authority) and this existing trade offers certainty in terms of cargo supply for onward transhipment. The construction efforts necessary for London’s hosting of the 2012 Olympics and the subsequent legacy developments, together with the aspirations of the Olympic Development Authority that at least 50% of all construction deliveries will be made by sustainable transport modes, provides an appropriate transhipment driver in terms of cargo demand. The recent commitment to construct the lock at Prescott Channel to facilitate waterborne freight transport to the main Olympic Park site by (amongst others) BW is welcome and the PLA is aware that operators are now incorporating the use of the inland waterways linked by the Prescott Lock within their logistical planning for the Olympics’ construction.

9. The PLA believes that the transport of materials for the development of the Olympics therefore represents the best and simultaneously the final opportunity as to whether the inland waterway network beyond the major estuarial ports has a future transporting freight beyond small niche markets.

Port of London Authority
March 2007

Memorandum submitted by United Kingdom Major Ports Group (BW 83)

1. We understand that in connection with their inquiry into British Waterways (BW) the Committee would like the views of the UK ports industry on the scope for making greater use of BW for the inland movement of freight. The United Kingdom Major Ports Group has nine members who operate 41 ports in the UK. Most of these ports are in estuaries, and in many estuaries such as the Thames, the Humber, the Forth, the Clyde, the Mersey and the Severn there are links into the BW navigation system. The most important, from the point of view of the Committee’s inquiry are the Thames, where the Port of London Authority is the harbour authority and the Humber where Associated British Ports are the harbour authority.

2. As other witnesses to the Committee have pointed out, water transport is generally regarded as the most environmentally friendly form of transport, particularly in relation to emissions of CO2. Ports are anxious to maximise the amount of traffic which moves by water, whether by coastal shipping or inland waterway, and we wish BW well in their attempts to attract additional freight traffic.

3. According to the Department for Transport statistics, inland waterway freight accounts for about 1.5 billion tonne/kms per annum. This is less than 1% of the national total. We do not have access to any statistics which show the total tonne/kilometres moved on the BW system, but since the DfT figure includes traffic moving on other inland waterways such as the Thames, the Severn and the Manchester Ship Canal, it is clear that BW freight traffic can account for only a tiny proportion of total freight movements in the UK. Certainly, it is our members’ impression that only a tiny proportion of freight passing through UK sea ports continues its inland journey by canal.
4. The reason for this is that, regrettably, the width and depth of the BW canals are so constrained that they are unable to accommodate other than quite small barges, carrying only a few hundred tonnes, which makes it very difficult for the waterways to compete with road and rail. An increasing proportion of freight movement involves the use of containers, but it is scarcely possible to move containers by canal in this country. Regrettably there is no ready solution to this problem, since the investment necessary to widen and deepen our canals would be out of all proportion to the likely gain in freight traffic.

5. Our reluctant conclusion therefore is that the scope for increasing movement of freight on BW rivers and canals is severely limited. There are however exceptions. One notable example is the Prescott channel which it is hoped can be used for construction traffic for the Olympic Park, but such opportunities are likely to be infrequent. We would also caution against any suggestion that the Government should increase the amount of financial support available to assist movement of freight by inland waterway. Such support is already available through the Sustainable Distribution Fund, but, to the extent that additional resources were available, coastal shipping would offer more promising possibilities than inland waterways.

6. We trust these comments are of assistance to the Committee. If we can assist further we would be happy to do so.

John Dempster, Executive Director
The United Kingdom Major Ports Group
March 2007

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Submission submitted by Kirklees Metropolitan Council (BW 84)

I write in response to your invitation to submit evidence to the Select Committee on this matter. I can inform you that the Council has formally considered the implications of funding cutbacks at British Waterways imposed by the Department of Environment, Food and Rural Affairs and resolved that the Leader of the Council write to the Treasury. A copy of that letter is attached. A letter on similar lines has also been forwarded to local MPs.

This Council values the contribution that canals make to our community here in Kirklees. Over many years the Council has worked closely with BWB and other partners to secure the re-opening of the historic Huddersfield Narrow Canal—achieved with the help of Millennium Commission support in 2000—and to promote the increasing use of this canal and our other waterways owned and managed by British Waterways. We believe that canals are not just about the use of water. They form strong linear links which we are including in a network of green corridors which are aimed at safeguarding and improving the environment and they also provide valuable settings for visitor activity, physical regeneration and through encouraging leisure use contribute to the health agenda. We look forward to a continuing positive relationship with BWB and its staff in the future—to the benefit of our residents, businesses, investors, visitors and canal users.

I hope that your Committee will be able to include these representations in your consideration and be able in your report to make positive recognition of the continuing importance and value of canals into the future.

Kirklees Metropolitan Council
March 2007

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 Annex

LETTER TO THE RT HON GORDON BROWN MP, CHANCELLOR OF THE EXCHEQUER FROM COUNCILLOR ROBERT LIGHT, LEADER OF THE COUNCIL

I am writing to you to express the Council’s concern about the implications of cutbacks in funding for British Waterways.

We understand that the cutbacks have been caused by a need to re-profile expenditure within the Department of Environment, Food and Rural Affairs as a result at least in part of pressure it is under as a result of the farm payments scheme and the need to accommodate within budget fines from the European Union.

In its consideration of the issue the Council affirmed its belief that:

"the canal network throughout Kirklees, when effectively managed and maintained can provide an asset which people can be proud of. The network can contribute to the quality of life, provide local employment and generate tourist revenue.

This Council deplores the cuts which the Government through DEFRA is making."
This Council therefore resolves,

1. To note that the Cabinet member for Environment and Transportation has already raised the matter with the Government and highlighted the impacts to local people.
2. Requests the Chief Executive to write to the local MPs and lobby them to oppose these cuts, an action which individual Members should also consider.
3. Requests the Leader of the Council, on behalf of all Members, to write to the Treasury and urge them to meet the costs of the European ‘fine’ without making cuts to bodies such as BWB.”

This letter meets the requirements of point 3 above.

There are three linked canals within or passing through Kirklees.
— The Huddersfield Narrow Canal—restored as a Millennium project.
— The Huddersfield Broad Canal.
— The Calder and Hebble Canal.

All are used for a wide range of leisure uses—for boating, the towpath for walking, cycling, fishing as well as providing valuable green links in our communities. They are increasingly the focus of major urban regeneration projects—in Huddersfield, in Slaithwaite, in Mirfield and Dewsbury—where they provide a valuable setting for new residential, commercial and leisure uses and generate tourist income.

Accordingly the proper and effective management and promotion of these waterways is of major importance to us and our communities. We regard any threat to such waterways as a major concern—hence this resolution and correspondence.

I would urge you to recognise the important contribution that waterways and their management make to urban regeneration and local amenities and to enable any obligations to the European Union to be met without cuts to bodies such as British Waterways.

March 2007

Memorandum submitted by the River Weaver Navigation Society (BW 85)

The Society exists to preserve, protect and develop the River Weaver Navigation for the benefit of all its users:
Commercial boating
Leisure cruising
Rowing
Canoeing
Angling
Walking
Cycling
Horse riding
Wildlife watching

The Society has about 100 members, and current campaign projects are:
— Restoration of Frodsham lock and the development of Frodsham waterfront
— Replacement of Riversdale Bridge (the ‘safe route to School’)
— Encouragement of commercial traffic
— Re-instatement of all locks on the Navigation
— Improvement of water quality
— Provide improved interpretation information along the river
— Create access for pedestrians, cyclists and horse riders to all parts of the river
— Improve facilities (water, waste disposal, temporary mooring, boater-operated locks) for leisure boating.

http://www.rwns.co.uk

This submission relates to the River Weaver Navigation, part of the British Waterways network.

The River Weaver Navigation is a commercial waterway, originally built to service the salt industry of mid-Cheshire, and designed to be capable of handling coasters and barges with a carrying capacity of around 800 tons. At its peak the Navigation carried more than a million tons of freight per annum. There are 5 sets of locks, including the entrance lock from the Manchester Ship Canal, and four swing bridge crossings of major highways.
There is a working salt mine at Winsford, alongside the navigation, which exports a significant proportion of its output through Liverpool docks, but all of this traffic goes to Liverpool by road. There are also plans to fill the resultant mine cavities with dry waste, some of which may be hazardous. Both of these traffics are eminently suitable for water transport, with consequent environmental benefits over road transport (each boat trip saves 30 lorry journeys).

British Waterways has failed to encourage these traffics, and has failed to maintain the River Weaver Navigation to a standard such that this traffic could be undertaken with commercial confidence. There are serious faults with all five sets of locks on the Navigation; a major failure of Vale Royal locks in 2003 is still awaiting repair and has been postponed further. No current timetable exists for the repair. The channel of the Navigation has many points where the depth is much less than would be needed for commercial traffic, and the re-furbishment of the Sutton Weaver swing bridge, carrying A56 traffic has been postponed indefinitely. A footbridge on a popular “safe route to school” in Northwich was condemned in 2004 and closed. British Waterways has no plans for its replacement.

In response to complaints from this Society and others, British Waterways claims that shortage of money has prevented this essential maintenance; much good work was done in the period 1999–2002, but with the budget cutbacks all prospect of a continuing improvement disappeared. The locks have all been de-manned and 48 hours notice is required for operation, leading to total disuse. It is our contention that the river is now at a worse state than at any time in its history.

Dr SP Gardiner
Chairman
April 2007

Memorandum submitted by Aylesbury Vale District Council (BW 86)

Here in Aylesbury we are working on a Waterside Redevelopment Scheme will be part of the Government’s Growth Agenda. The redevelopment involves a new £26 million theatre, retail units including a new food store and department store and mixed use development with residential units adjoining the Aylesbury area of the Grand Union Canal. We are also providing a new Canal Basin on the edge of town to relocate a local canal society.

We have acquired land from British Waterways in order to facilitate this exciting development and are working with them on a range of issues to ensure a vibrant canal area fully accessible to the public. To that end the canal is a vital catalyst and the new staff have shown an enthusiasm for this type of development and we have now got a good working relationship with British Waterways with a ‘can do approach’ and a good working relationship into the future is essential to maximise the benefits for Aylesbury Vale.

Norman Skedge
Director of Environment and Planning
Aylesbury Vale District Council
April 2007

Memorandum submitted by Nottingham City Council (BW 87)

I am writing this letter to demonstrate how Nottingham City Council, British Waterways and others have been working in partnership over the past five years to improve the Nottingham and Beeston canal towpath.

The 7km canal and towpath which runs east west through Nottingham City Centre and links to a number of major employment sites provides a valuable connection to Nottingham’s Southside and Waterside regeneration areas as well as the Trent River Park.

The improvements made have included resurfacing the path in high quality materials and widening to 3.0 metres. Access points have been upgraded to comply with the Disability Discrimination Act and for cyclists wheelie ramps have been provided. New and improved landscaping has been introduced particularly where overgrown vegetation is a problem. A programme of signing and mileposts has commenced and a range of promotional material produced.

The result has been to provide a high quality facility for a wide range of uses, meeting a range of transport, regeneration and leisure objectives which has been internationally recognised. There have been significant increases in use by pedestrians, cyclists and other users.

The above has been achieved through the development of partnerships between Nottingham City Council, The Greater Nottingham Partnership (GNP), Nottingham Regeneration Limited, The Inland Waterways Association (IWA), WREN Recycling Limited, The Department for Transport and particularly British Waterways.
It is important that this work is continued over the coming years to further improve and enhance the canal side environment. As part of the ‘Big Track’ initiative, which is Nottingham’s waterside car free route, there are plans for a regeneration project at Meadow Lane Lock Waterfront and to replace the bridge at Castle Marina.

British Waterways have been a lead player in promoting the works and their involvement and participation is a crucial element in the successful delivery.

I hope this gives you a feel for the achievements of this partnership, however, if you require further information please do not hesitate to contact me.

Nottingham City Council
March 2007

Memorandum submitted by Harborough District Council (BW 88)

I refer to the above inquiry which is currently underway and would be grateful if this letter could be brought to the attention of the Inquiry Panel.

Harborough District is fortunate to have an important stretch of the Grand Union Canal running through its area. It also has the renowned Foxton Locks site as a central tourist attraction within the District.

The Foxton Locks site (part of which is a Scheduled Ancient Monument) contains an interesting mixture of industrial archaeology, working heritage and canal history all situated in an impressive landscape setting. British Waterways actively manage this site and are currently leading (as a member of the Foxton Partnership) the implementation of an important £2,828,628 Heritage Lottery supported project to improve the site and restore the Upper Arm of the canal.

Principally because of the importance of the Foxton site and the significance of the current restoration project, Harborough District Council enjoys a very good working relationship with British Waterways. Without the dedication of the British Waterways team this project would be unlikely to succeed.

We strongly believe that it is vital that British Waterways continue to take an active lead role in the development and management of the Foxton site and wider canal network.

Harborough District Council
April 2007

Memorandum submitted by Nottingham Regeneration Ltd (BW 89)

I write to set out our continuing support for British Waterways in the regeneration of our canals and waterways.

Nottingham Regeneration Limited is a not-for-profit public private partnership established in 1998 to bring forward the physical regeneration of problem sites. One of our key regeneration areas is Nottingham Waterside—an area covering 100 hectares. The area faces a number of significant issues but also has huge potential in terms of the expanse of the River Trent which forms its southern boundary and the canal to the west.

To secure the transformation of the Waterside we have formed an innovative partnership with British Waterways “Nottingham Waterside Limited” to spearhead regeneration. This partnership is based on our shared vision for the area and our successful track record of working on joint projects with British Waterways.

Nottingham Regeneration Limited, British Waterways and Nottingham City Council have already delivered a series of projects to enhance the canal towpath throughout the City Council boundary—increasing sustainable leisure and commuting opportunities and improving access for all sections of the community. We have drawn on British Waterways’ in-house expertise to ensure our projects maximise benefits to local people whilst respecting the historic waterside context. Working together, British Waterways and NRL have recently secured funding of approximately £100,000 to take forward proposals to create a new Waterside pedestrian and cycle route which will ultimately link to a regenerated Waterside.

On a conurbation level we engage with British Waterways through the Trent River Park Group—a partnership which brings together key players with the ability to drive forward the vision of a thriving and vital River Trent corridor.

We can only deliver projects of this nature with the continuing support of British Waterways.

Nottingham Regeneration Ltd
March 2007
Memorandum submitted by Daventry District Council (BW 90)

I understand the Committee is examining “how British Waterways is working towards its ambition of creating ‘an expanded, vibrant, largely self-sufficient waterway network’.”

Daventry District Council has a number of interests in this connection. Daventry is a District in western Northamptonshire, near the centre of England. Within the District run the Grand Union (main and Leicester lines) and Oxford Canals, and other important waterways are within short distances of its boundaries. Given the importance of the local canals as an environmental, heritage and recreational resource the Council has for some time operated a “canal partnership” with BW, along with South Northamptonshire and Northampton Borough Councils.

However, probably the most important current issue for the Council is the Daventry WaterSpace project, which will create a new arm of the Grand Union Canal into the heart of Daventry. This will support the development and regeneration of the town, and especially the town centre, in line with the Government’s Sustainable Communities Plan (in which Daventry forms part of the Milton Keynes-South Midlands Growth Area). As a result of this plan, the Council has naturally been in close contact with British Waterways for some time.

Our contact with BW has been wide-ranging—from the Chief Executive, regional management, engineering and economic development staff through to the BW/Scottish & Newcastle “Pub Partnership” joint venture. For the most part this has been very positive, with BW showing a desire to engage and support the WaterSpace project, insofar as this is permitted by its statutory and regulatory framework. (One area the Committee may wish to consider is if there are further areas of freedom BW could be given, to enable it to participate more fully in new waterway projects of this nature).

The WaterSpace project is unusual in that it concerns the creation of a completely new waterway, rather than restoration of a disused one. However, the Council sees it as a fundamental part of the plans to create a sustainable town for the 21st Century. A Green Book appraisal carried out by DTZ Consulting supported the view that the WaterSpace would make a major—and economically worthwhile—contribution to the town and town centre. This illustrates the importance of waterways in general, and of BW’s ability to care for the existing network, since without it projects such as the WaterSpace would not be able to function.

The Council looks forward to continuing to work with BW, and hopes the Committee’s enquiry results in further measures to enable the waterway network to be maintained, enhanced and extended.

Daventry District Council
April 2007

Memorandum from Wyre Forest District Council (BW 91)

I understand that you are currently conducting an Inquiry into the performance of British Waterways and are currently considering evidence.

I am very pleased to be able to associate this Council with the work which British Waterways have carried out, and continue to carry out, in the District through their West Midlands (formerly Central Shires) offices.

British Waterways has been a valuable partner to the Council and our productive relationship has seen success in the following areas:

— £3.17 million Heritage Lottery Fund monies secured for the improvement of Stourport Basins
— facilitating private investment in regeneration works adjacent to the Stourport Basins and the reinstatement of the former Lichfield Basin
— continued work on linking the Basins to Bridge Street, Stourport, bringing land ownership with the Council’s CPO powers to assemble land into a development site to open the basins up to pedestrians and realise the tourism potential that had previously been identified in the Pieda & GHK studies of the Stourport Basins
— improved access to the canal towpath in Kidderminster Town Centre

The working relationship at officer level between the two bodies is close and productive, as it also is with Elected Members who receive an annual update at their Prosperity Policy Panel of the work undertaken by British Waterways in the district the previous year.

We are just embarking on further consultation with British Waterways on the Local Development Framework Core Strategy Development Plan document and will value their input.

I look forward to this partnership flourishing into the future to continue to realise the catalytic regeneration opportunities that the canal infrastructure offers Wyre Forest district.

Wyre Forest District Council
April 2007
Memorandum submitted by Lincolnshire County Council (BW 92)

Lincolnshire has many hundreds of miles of rivers, canals and drains and they are of vital importance for drainage and leisure, as well as having played a vital role in this county’s heritage over the past 1,000 years.

However, in 2002 it was recognised that our waterways had been under-invested in and were offering a very poor quality experience. All the local authorities together with British Waterways, Environment Agency and the regional development agency got together to produce the Lincolnshire Waterways Development Framework, our strategy for the next 10–15 years. I believe that we are still the only area in the UK to have such a countywide waterway regeneration strategy. In 2003, Lincolnshire County Council, British Waterways and the Environment Agency formed the Lincolnshire Waterways Partnership (LWP) as our commitment to a vehicle for delivery of the 98 objectives within that strategy. Since then the LWP has submitted 10 successful funding bids and is currently delivering some £14 million of projects across Lincolnshire.

The LWP meet six weekly to discuss progress and divide the work up amongst ourselves. For example our first bid Waterways I contained six projects, each partner taking responsibility for delivering two projects; thus sharing the workload and enabling further bids (Waterways II, III, IV, V etc.) to be submitted.

The LWP produces a thrice-yearly newsletter to update the public on its work and holds regular waterway workshops for people to attend. Feedback from the public via the consultation mentioned above is also very positive; “we’re making a difference” “the partnership works and we get things done.” There is an excellent working relationship within the partnership and the County Council views British Waterways as a valued partner with a good delivery record.

The value of the LWP was recognised nationally when it won the Partnership category in the 2006 BURA Waterway Renaissance Awards.

Although the LWP has largely been bidding for Objective two funds, which finish at the end of 2008, there is no intention of winding up our work. The important role of waterways for both urban and rural regeneration is recognised in Lincolnshire and though we are proud of what the partnership has achieved, we know there is still much to be done before they fully reach their potential. The Regional Development Agency are very supportive and we are aware of new funding streams and the Council’s successful work and good working relationships with British Waterways and the Environment Agency will continue into the future.

If I can supply any further information on the work of the Lincolnshire Waterways Partnership please don’t hesitate to contact me.

Lincolnshire County Council

April 2007

Memorandum submitted by City of Westminster (BW 93)

Ed Fox, British Waterways Corporate Affairs Manager has suggested that the EFRA Select Committee might be interested in the City Council’s experience of British Waterways in respect of the regeneration of the Paddington Basin area which has been underway for almost 20 years.

The attached note, and the accompanying factsheet, gives an officer level view of the role British Waterways has played in this complex and comments on the nature of the working relationship and of the continuing nature of the tasks to be undertaken.

BRITISH WATERWAY’S ROLE IN REGENERATION OF PADDINGTON BASIN

1. The City of Westminster contains parts of the Grand Union Canal (Ladbroke Grove—Little Venice), Regents Canal (Little Venice—London Zoo) and from Little Venice the ‘arm’ and basin that serves Paddington.

2. Following the decline of commercial traffic in the mid twentieth century the Little Venice area saw the start of leisure trips from 1949 onwards. The existence of significant areas of residential moorings, canal cavalcade at Little Venice for 25 years and the high amenity value of boat trips from the pool at Little Venice to London Zoo has established this part of the London canal system as a major public amenity with a significant recreational and tourism role.

3. However the arm and basin south of Little Venice, principally bordered by BW freehold land, had by the mid 1980’s ceased to have any public access (by foot, road or canal) either to or across it.

7 Not printed.
A variety of highly speculative piecemeal post war development proposals had not brought forward the development of the area which was by the mid 1980’s derelict and of poor amenity value.

4. The City Council, following discussions with BW and their advisors, reviewed its planning policies to encourage the comprehensive mixed use development of the area around the canal basin and the adjacent derelict format railway goods yard. The progress of the developments is set out in the attached factsheet.

The last twenty years have involved close collaboration between BW and the City Council over a range of programmes and activities alongside the consideration of various planning applications promoted by BW developers. Actions include:

— first canal corridor study of urban area
— guidelines for development of sites alongside canal
— Improvements in and around Little Venice pool,
— New mooring arrangements at Little Venice & Lisson Grove
— Improving links to adjacent areas
— Joint environmental projects with Ground Work Trust
— Setting standards and materials for public realm developing joint project for re-erection of the recently salvaged Brunel Bridge for reuse as a footbridge at Paddington
— Provision of two new footbridges on Grand Union Canal to replace outworn structures
— Provision of three new footbridges at Paddington Basin
— Construction of new Paddington Bridge
— Establishment of regeneration partnership
— Provision of UDP policy
— Input to GLA London Plan Blue Ribbon strategies

5. Arising from those experiences the following officer level comments are put forward for EFRA Select Committee’s consideration.

1. In order to undertake an effective role both within the local communities it serves and in pursuance of its own operational activities and any development activities BW require sufficient revenue and capital funding for engagement with the local authority, the private sector and the voluntary community sector.

The issue of shouldering the financial burden of maintaining public areas to the towpath, including maintenance and patrolling falls to Westminster whereas it can be acquired it is a BW core duty.

2. Given the emergent roles of the local authority through a range of recent central government initiatives (Local Strategic Partnership; Local Area Agreements; Local Area Renewal Partnerships (∼4 of the City’s LARPS include the canal) and the reinforcement of this role as set out in the recent Lyon’s Review—it seems clear that a BW’s role and resources need to be suitably aligned to assist in delivering the agenda set by central and local government.

3. The historic nature of the canal, its generally high amenity value requires BW to have sufficient resources to ensure that the attractive high quality character and function of the water spaces, and their associated areas, requires investment, continued maintenance and adherence to the environmental standards, initially set by BW and now set out formally in the City Council’s Unitary Development Plan and for example in guidance from English Heritage.

Furthermore BW needs to be resourced to satisfactorily engage with a range of local interests, residents, boat users and all these activities take time and staff but are essential for BW to provide as inclusive service and maximise the opportunities for a wide range of activities and interests.

4. The range of BW’s functions and responsibilities stretches across a range of central government departments, for example:

   DCLG—planning, communities
   Defra—sustainability, water managers
   DCMS—tourism, culture, conservation
   DIT—transport

However, these agendas and resources can often at local level seem misaligned or acting in ignorance of each other.
5. The canals are highly regarded by many different groups of residents, business sectors, boat users, tourists and water itself is highly regarded as a desirable place to locate alongside and use. Therefore high value returns on investment can be expected from waterside locations but to start regeneration the informal phase investment is required to bring together commercially viable sites and then to ensure that the environmental quality and character is maintained. Today this environmental quality was to include sustainability, wildlife and biodiversity and an ability to carry out both the effective management of the waterways in respect of conservation and regeneration agendas. Therefore a strategic and long-term view of seeing resources is required not only to bring development forward but to ensure the integration of that development with the existing and new communities alongside and on the canal.

Graham King
Head of City Planning Group
Planning and City Development Department
City of Westminster
April 2007

Memorandum submitted by London Borough of Tower Hamlets (BW 94)

Tower Hamlets is criss-crossed by inland waterways, is home to a number of former working docks and has the longest riparian boundary in London. As a consequence there are many opportunities for regeneration and development alongside and involving water.

In order to maximise the benefits for all organisations involved in the many exciting initiatives and create a sustainable and workable community for local people, the Council and British Waterways have sought for many years to work collaboratively and in partnership on development and regeneration matters.

Role

The abundance of water and waterways places BW in an important position in Tower Hamlets and places Tower Hamlets in an important position within their overall Estate. Land Values here are rarely likely to be exceeded elsewhere at the present time. BW are aware of the value locked up in their assets but are playing a responsible role in establishing development partnerships and mechanisms with which they can engage with the local authority and listen to the local community. Examples include the “Docklands Management Group” (DMAG) where they discuss water management issues in the round, quarterly with local groups, land owners and the Council. The Council is also working very closely at present with BW in helping it to take forward development proposals for what is likely to be one of the biggest planning projects in the U.K. when it presents detailed proposals for Wood Wharf. This is anticipated to be a high quality, sustainable urban environment for people to live, work and relax in. This is an opportunity for BW and its development partnership to lead the way in the UK with development standards, design solutions and community liaison. This will be an important role. Public bodies, especially as part of private partnerships should lead the way and establish best practice in sustainable development and design matters.

Working Relationship

The scale and pace of change is such in Tower Hamlets that all landowners sometimes struggle to ensure that their own estate management proposals are aligned with emerging planning policies and that all the Strategic and local organisations with an interest are involved in emerging development proposals. This is a challenge for an organisation like BW who have not until recently employed a specialist in-house planning team and have therefore struggled to support the development of water use guidance/policies alongside their own asset management plans. Inevitably without such alignment but with a clear driver to secure maximum return for their assets there can be issues that arise. The Council often endures a more strident relationship with BW but perhaps this is inevitable, as it is with most public sector agencies there is an inevitable tension felt by in securing maximum value / income for the organisation while still seeking to achieve more rounded and “softer” objectives. BW of course do need to operate in all facets of the public interest including embracing sustainable development; the environment; heritage; social inclusion; and children and young people, when considering potentially conflicting commercial objectives. Nevertheless, discussions remain professional and as an organisation they are always accessible and willing to discuss matters. Consequently, issues of disagreement are usually resolved.
FUTURE WORKING

It is important that all bodies involved in development across the Borough, this includes BW work closely and collaboratively together now and into the future. The policies and proposals being developed today within this Borough are usually now part of major initiatives such as the Olympics and long-term masterplans with regional/sub-regional importance such as those in the Lower Lea Valley. They are unlikely to be realised for a number of years so it is essential, despite often difficult negotiations around value, expectations and the provision of the essential ingredients of a sustainable community, that BW continue to work closely and co-operatively with Tower Hamlets Council. The alternative is unlikely to be one which will deliver the sustainable communities that the residents now and in the future deserve.

I hope these comments are useful.

Emma Peters
Corporate Director, Development and Renewal
London Borough of Tower Hamlets
April 2007

Memorandum submitted by Isleworth and Brentford Area Planning Committee, London Borough of Hounslow (BW 95)

1. Members of the Isleworth and Brentford Planning Committee thank the select committee for allowing us the opportunity to express our concern about the way that BW are developing their land-holdings in Brentford for predominantly residential uses, to the detriment of current and future canal-related activity.

2. The Isleworth and Brentford Area Planning Committee is one of five Area Committee in the LB Hounslow. It is made up of the 12 Councillors representing the four wards of the Isleworth and Brentford area. Although representing four political parties, on many local issues and particularly this one, Members are of one mind in this matter.

3. The committee is consulted on major planning applications, and on changes to relevant local and regional planning policies.

4. The Area Committee has long recognised the uniqueness of the conjunction of The River Thames and the River Brent/Grand Union Canal waterways; the contribution this has made to the character and development of Brentford through the ages, and the potential that it holds for the future.

5. The Council and this Area Committee are proud of being responsible for planning decisions on this part of the waterways, and are passionate about preserving and improving its amenity for the sake both of our local inhabitants and the wider community. This is an attitude that has remained consistent throughout changes in political makeup of the Council and membership of the Committee.

6. For more than 20 years the Area Committee and Hounslow’s Planning Department have worked on plans and guidance for the successful integration of the waterspace and related uses into the town planning process. For much of this we have naturally depended heavily on a relationship with British Waterways (BW) who have in fact owned much of the land that has been redeveloped in the past decade.

7. We are disappointed that the result to date has been a decline in useful boat servicing/building facilities. We have now spent over a year in opposition to British Waterways and their development partner ISIS, for retention of the last covered trans-shipment wharf in Brentford Basin, and for the maintenance of our designated Strategic Industrial Employment Area alongside it.

8. It has been our experience that while BW have contributed valuable planning advice for those referred schemes in which they have had no financial interest, for those schemes in which they have financial involvement there has been either no response or responses that run contrary to their own published planning guidance as well as our own policies and those of the London Plan.

9. By way of example we detail several challenges the Council has addressed in recent years:

(a) From 2000 and before we have been dealing with proposals for regenerating Brentford Town Centre. A significant proportion of the area is on or adjacent to the waterside, and BW had prepared a Strategy for this and the Brentford Basin area, including the land around the Gauging
Locks and Depot in addition to the tidal section. With the proposal for the Town Centre that came forward in 1999, we saw deficiencies in the scheme relating to the waterside treatment and agreed to a separate application being made to address this, prior to any resolution on the main scheme. British Waterways joined with the developers to have architects draw up the Waterside Strategy for this separate application, which was presented in April 2003. We recognised this as flawed through not treating the canal as a whole, yet despite meetings between BW, waterways users, the Council and the developers, the issues were not addressed, and no revised strategy was ever produced.

The only motive for BW not to have revised proposals to safeguard the boat repair yard would appear to be that they wished to enjoy the income from a couple of their “Business Barges” which is what the Application suggested for the off-line basin occupied by the boatyard.

Their failure to resolve the issues despite consultation effectively halted any progression of the scheme and the original developers have since sold on to others. The process will now have to begin again.

Our own involvement throughout was to prove a steep learning curve regarding the waterways, and it was disturbing to have what was later discovered to be erroneous information fed to our members, when so much trust had been emplaced with BW. The negative intervention with us and our Planning Department regarding the endangered canalside boatyard is strangely exacerbated by more public declarations that they have nothing to do with the situation at all. Were that true, that itself would be an indictment of BW.

(b) Throughout 2003 the Borough also considered an application for a private bridge to be built over the Grand Union to cater for the Bullsbridge Trading Estate. This entailed filling in part of the canal for footings, evicting some of the houseboats moored on the site and creating an intolerable environment for those remaining. British Waterways, who might have been expected to support our stand against this application, instead merely indicated approval of its design.

Despite trenchant public calling to account, BW remained in opposition to our Council’s stand on this, for which they stood to gain considerable licensing income.

One of our members took it upon herself to co-ordinate public defence of the Council’s decision at the ensuing Inquiry, while of the many reasons for refusal, the Council chose to champion the plight of the houseboats as regarding noise.

The Inspectorate found for the Applicant despite acknowledging that at least three important waterside policies of the London Plan were violated by the scheme. This was an extraordinary reflection on the position taken by BW who were in the perfect position to have supported such policies effectively, by simple denial of permission in the first place.

(c) Recently the third of three phases of development around Brentford’s Basin area above and below the Gauging Locks have been completed. In itself, these have taught us salutary lessons too late to be of value. The schemes presented by partners of BW, the land owner in all these cases, necessarily involved the loss of most of the trans-shipment and boat repair/building facilities, in favour of purely residential development. This was in clear contrast to the Council’s vision for the area, but advice was taken from BW who assured us that the income from such development was necessary for this separate application being made to address this, prior to any resolution on the main scheme.

It was with some dismay then that we found the fourth area along the canal (Commerce Road) was intended for yet more such residential-led development. We had made it clear from as early as the ‘80s that the Commerce Road area was to be retained as industrial employment land vital to Brentford’s economy & demographic. For this ambition—the proposed warehousing is neither designated commercial, with the sole aim of having that overturned in favour of more lucrative residential-led development, is not an approach that we can view with favour, nor can we see that such behaviour was ever intended or envisaged by government guidance for BW’s financial conduct. At least, we would hope not.

When in the course of the Inquiry we discover that requested information has been deliberately and unjustifiably withheld from us, we cannot help feel that there has been a compromise of the candour and openness that should characterise BW’s dealings with authorities such as ourselves. We should find ourselves working together for shared aims, yet something has gone seriously amiss.
7. Much of the Council’s resources in dealing with canal-side planning applications have been expended over the last year in little other than seeking to preserve the commercial vitality of our waterways in the face of opposition from those waterways’ appointed guardians. The constant response to challenge over waterways priorities always appears to be the Government remit to maximise receipts, yet this cannot be accepted as a blanket excuse for fighting with us and seeking to keep the canal as little more than a backdrop for water-side housing. We would expect that BW should stand for the preservation of heritage, the protection of boat servicing maintenance and building for which there is current high demand, and the safeguarding of wharves for the potential future resurgence in waterfreight usage.

8. It is evident from all this that BW’s interpretation of Government directives to maximise their receipts has had a deleterious effect upon their approach to waterside planning issues, which can only be exacerbated by the recent DEFRA cuts to their grant in aid. We are firmly of the opinion that BW should not be forced into this degree of self-reliance upon profits from property dealing, nor should the present upper management attitude be encouraged by such uncertainty over budgeting.

9. We hope that the Select Committee will take note that there is an acute dichotomy between the values of those in BW who have the waterways themselves at heart, and those employed in BW’s upper echelons who see their roles as that of pure market guided businessmen. For so long as this continues, any balance between the needs of the waterways and the needs of the accountants will always be resolved to the detriment of the waterways. We value our rivers and canals too much to be happy with this state of affairs.

Cllr Jon Hardy
Chair of Isleworth & Brentford Area Planning Committee, London Borough of Hounslow
On behalf of Isleworth and Brentford Area Planning Committee:
April 2007

Memorandum submitted by London Borough of Camden (BW 96)

1. The London Borough of Camden benefits from, and indeed grew up around, an important stretch of the Regent’s Canal. The principal canalside locations in the borough at Camden Lock, Regent’s Park and King’s Cross represent a successful mixed-use regeneration scheme, an important public open space, and a major new redevelopment.

2. Camden Lock is today one of the busiest and most vibrant canalside locations in the UK. Over the last two decades, the council has worked with British Waterways and local businesses to transform this historic Regent’s Canal location, creating an exciting mix of market stalls, shops, restaurants, pubs, cafes, homes, offices and public open space. Much of the heritage of the area has been retained, with sensitively refurbished historic buildings put to new uses, and enhanced by high quality modern architecture. Recently the area has suffered from a degree of antisocial and illegal behaviour—from speeding cyclists on the towpath to more serious drug-related activity. British Waterways has been a key partner in tackling these issues and we work together to improve safety in the area—with CCTV, innovative lighting schemes, graffiti removal, towpath resurfacing, removing hidden corners, creating windows onto the waterway, and pooling resources through the Camden Town Business Improvement District (BID). The introduction of warden patrols along the towpath was a particularly successful initiative.

3. The grand sweep of the Regent’s Canal as it runs around Nash’s Regent’s Park provides a tranquil contrast to the activity around Camden Lock and an important piece of public open space for the borough. The towpath, which British Waterways maintains, provides a popular route for walkers and cyclists, and many local people are drawn to the canal to see passing narrowboats and trip boats. This is a popular destination for boaters visiting London and British Waterways provides visitor moorings and facilities. For those without their own boat, the London Waterbus Company in particular has for some years provided a popular service between Little Venice, London Zoo and Camden Lock and was established with the help of British Waterways. From a community perspective the ‘Pirate Castle’ provides an important facility from which children and young people can discover the canal.

4. The redevelopment of the old canalside rail lands at King’s Cross represents one of the biggest regeneration projects in London and an enormous challenge and opportunity for the borough. The site is bordered by the Regent’s Canal and British Waterways has worked closely with the council and the developer, Argent, to secure funding and improvements to the towpath as well as much-needed mooring facilities. We also continue to promote the opportunity for moving construction materials to and from the site by water, using the new wharf which it has recently built with TfL at Willesden. We very much support the opportunity for moving traffic off the roads and British Waterways’ push to find viable opportunities.

5. The London Borough of Camden partnership with BWB is currently flourishing. A safer, greener, cleaner canal is a joint priority for Camden and BWB. Both parties have used funding from the Neighbourhood Renewal fund, Building Safer Communities and latterly the Liveability fund to implement a range of activity. The London Borough of Camden has a long and excellent working relationship with
British Waterways going back to the late 1960s when the towpaths were first opened up for public use. Since that time we continue working together to transform a once run-down and neglected canal into one of the most popular urban waterways in Britain.

6. British Waterways’ cross-borough remit enables it to make beneficial connections between different communities and local authorities, from funding initiatives such as the SRB-funded London’s Waterway Partnership (to which Camden was a signatory), to access improvements and opportunities for commercial freight carrying. British Waterways’ ability to invest in and deliver capital projects and canalside improvements make them a useful partner in supporting the borough’s wider objectives.

7. On an operational level, there is joint working around cleansing contracts, improvements to the canal and improved partnership working with the Police and direct involvement in the Camden Town Business Improvement District. A Strategic Canal Partnership was launched in November 2005, and British Waterways is an active member of this partnership.

8. Camden backs calls for greater certainty over British Waterways’ future funding in order to give confidence to the businesses, communities and partners that value and depend on the waterway. We would be concerned if British Waterways’ ability to maintain the network was restricted in the future, either through reduced commercial income or grant funding. The confidence and flexibility to take rapid, decisive advantage of development and other opportunities are especially important to success on the ground.

Robert Scourfield
Acting Director, Culture and Environment
London Borough of Camden
April 2007

Memorandum submitted by Milton Keynes Council (BW 97)

1. I thought it would be helpful if I made a contribution to your inquiry regarding British Waterways. My evidence is based on their involvement in key projects across the city, their role as a regeneration agency and how we value their input here in Milton Keynes.

2. The Grand Union Canal runs north south throughout the Milton Keynes urban area. The canal forms a valuable part of the city’s recreational and leisure infrastructure as well as providing significant environmental benefits. The canal passes through a number of our most deprived areas and either forms or has potential to form an important community asset. BW has been instrumental in early planning of the railway lands regeneration in Wolverton, one of these deprived areas.

3. In addition to the existing canal we have been working with BW to support the development of the new Bedford to Milton Keynes waterway. We believe that this new canal is an important element of the delivery of city’s growth, as set out in the Sustainable Communities Plan. The new waterway will promote the regeneration of the Marston Vale in Bedfordshire and provide an attractive environment for the new homes planned for Milton Keynes. BW has been supportive of this project and has provided resources and expertise wherever possible. The very detailed knowledge of their staff has been a valuable asset to this project.

4. Past experience of working with British Waterways has demonstrated that they have strong regeneration expertise and that they regularly use innovative and imaginative techniques for community development and engagement. As we begin to address the regeneration of other estates in Milton Keynes I would hope to include members from the BW team to develop and implement the programme.

Juniper-Hope Strong
Strategy and Growth Manager
Milton Keynes Council
April 2007

Memorandum submitted by Sandwell Council (BW 98)

WATERWAYS IN SANDWELL

1. There are 31.32 miles of canals in Sandwell which pass through some of the most deprived parts of the Borough. The improvement of the waterways here and the opportunity provided for the redevelopment of areas alongside the canals are therefore critical parts of the regeneration of the Borough.

2. This canalside regeneration aims to exploit the canal network to increase participation in sport, which is low in Sandwell, as a means of addressing poor health and rising obesity.
3. There are also opportunities to use the maintenance of the canal network, its heritage, and activities on it to provide volunteering and training outputs. The majority of the canal network in Sandwell is designated as “wildlife corridors” as they provide comparatively rich habitats within the dense urban Borough.

4. British Waterways and the Council have already co-operated on two large lottery schemes to achieve the improvement of the canals themselves—Canals for Communities in 2000 and Smethwick summit in 2003. The former was completed in 2002 and the latter is to be completed this year. The completion of Smethwick Summit has been delayed in part due to the reduction in staff at BW.

5. We are also seeking to submit major bids that impact on the canals. Firstly, working with the Black Country Consortium, we are seeking to make a BIG lottery submission this summer for Peoples Millions: Living Landscapes, which if successful would draw down £50m from BIG Lottery and £12m from Advantage West Midlands. Secondly an HLF and AWM submission for £15m is being prepared for Soho Foundry which lies alongside the New main Line Canal in Smethwick. These two bids have both been adversely affected by the limited resources of British Waterways to assist the bids.

6. Both the Black Country Strategy and the Council’s Unitary development Plan refer to the possibility of the BCN being submitted as a World Heritage Site. This has not yet developed as it should due to lack of staff resources in both Councils and BW.

7. There are numerous redevelopment schemes alongside the canals with which the Council is currently involved, which would be improved with greater BW involvement than is currently available. One of the largest is Smethwick Canalside which could provide 600 new homes. Such schemes have the possibility of delivering S106 monies to provide for example, greater accessibility to the waterways.

8. A high standard of maintenance of the waterway is important to deliver the regenerative effects described above. BW need the funds to not only keep the canal dredged appropriately but also to keep towpath and adjoining spaces in BW ownership clear of litter, graffiti and dog fouling. A high standard of maintenance was not always achieved in this Borough before the cuts, and the Council is concerned by the impact on cuts on such standards in the future.

Sandwell Council
April 2007

Memorandum submitted by the Local Government Association (LGA) (BW 99)

INTRODUCTION

1. The Local Government Association (LGA) represents almost 500 local authorities in England and Wales. They in turn represent over 50 million people and spend over £78 billion each year on local services.

2. The LGA welcomes this opportunity to respond to the EFRA Sub-Committee enquiry into British Waterways and to comment on the relationship between British Waterways and local government.

RELATIONSHIP BETWEEN BRITISH WATERWAYS AND LOCAL AUTHORITIES

3. British Waterways is responsible for the management and enhancement of an extensive network of canals and rivers which pass through a large number of local authority areas. It is therefore crucial that British Waterways works closely and constructively with Councils to deliver benefits of the waterway network to local communities.

4. It is important to emphasise that the benefits to be had from canal and river usage go far beyond transport or boat users. Well-managed and cared for waterways are an efficient driver for economic development and regeneration and the housing, employment, leisure and tourism opportunities that they bring. They can also contribute substantially to the health and social inclusion agendas, for example by encouraging walking and cycling.

5. There is a need for local leadership to make connections across the numerous potential benefits and activities which have an impact on waterways. Local authorities are uniquely placed to facilitate partnerships and strategy, and make the links to other related local issues. This supports the approach put forward by the Local Government White Paper and the Lyons Review to the place shaping role of local government.

6. As local partners, British Waterways (BW) need to engage with local authorities in relation to their roles as / in:
   - local leaders—leading partnerships and shared strategies—in particular BW will need to engage with Local Strategic Partnerships and Local Area Agreements
   - stakeholder liaison & facilitation / community liaison role
   - major landowners
— local planning authorities
— local transport authorities
— inland navigation authorities
— providing information to landowners
— green space management role
— using and promoting good practice

RELATIONSHIP BETWEEN BRITISH WATERWAYS AND THE LGA

7. The LGA would be keen to develop a stronger relationship with British Waterways to:
— establish areas of common interest and a shared approach to influencing and responding to relevant government policy;
— promote good practice and closer working with individual local authorities; and to
— ensure that issues relating to the management of waterways are factored into the LGA’s key interventions and cross cutting work on areas such as planning and shaping safer sustainable communities.

8. Stronger links between the organisations would fit with the recommendations of the recent report from the Independent Commission looking at the LGA’s relationships with government, its members and partners. The report emphasised the value of strategic alliances and joint working with other organisations in pursuit of its lobbying and campaigning work.

LGA NETWORKS AND ADVISORS

9. The LGA is increasingly using groups of advisors drawn from member authorities and from existing networks to consolidate and strengthen the LGA’s advisory resource across the local government sector. These networks provide an invaluable extension to our internal policy resource and mean that we have access to specialist knowledge and an “on the ground” view. Making use of the relevant groups, such as the Local Transport Planning Network and the LGA’s Environment Advisory Panel could provide a useful mechanism to establish closer links on detailed policy issues relating to waterways.

RELATIONSHIPS WITH USERS OF THE WATERWAY NETWORK

10. In considering British Waterways relationships with users of the waterway network, it is important to note that this extends beyond boat users. The number of visits to waterway network by walkers, fishermen, cyclists and other recreational purposes vastly exceed visits by boat users. Close relationships with Local Authorities will be essential in understanding the needs of these users and communicating with them.

FINANCIAL FRAMEWORK AND CHANGES IN DEFRA’S BUDGET

11. Central Government investment in maintenance of the waterway network is important as it levered in additional funding from other sources such as Europe, Heritage Lottery Fund and private developers. Cuts in central government funding for British Waterways will lead to cuts to maintenance programmes and undermined confidence of other potential investors.

The Local Government Association
April 2007

Memorandum submitted by Oxford City Council (BW 100)

BRITISH WATERWAYS RELATIONSHIPS

The City Council, at a meeting of the full Council on 30 April 2007, was advised of the existence and work of the Environment, Food and Rural Affairs Committee’s British Waterways Sub-Committee. Council understands that this sub-committee is chaired by David Drew MP and that you are Clerk to the Inquiry that the sub-committee is conducting. I write to let you know of a resolution passed by the full City Council on 30 April 2007 that Council considers is relevant to the Inquiry.

Council adopted unanimously the Motion attached to this letter. In 2005 and 2006 Council also adopted Motions on the Jericho Boatyard (described as the Castle Mill Boatyard in 30 April Motion). I have also attached those two earlier Motions. The three Motions together indicate the City Council’s contributing concern about British Waterways and its relationship with the Council and local communities.

8 Not printed.
9 Not printed.
I think it would help if I briefly amplify the Council’s concerns. The Motion adopted on 30 April reflects Council’s disappointment with British Waterways. Councillors and officers have spent many valuable hours over the past two years in meetings and correspondence with British Waterways and in visiting sites. All the time the Council has been assured by British Waterways that they were committed to achieving the resolution of providing residential boating support and facilities to replace the popular and long-running one they had closed in central Oxford. The land this facility formerly occupied is still empty and undeveloped (see the Motion of 26 June 2006). After all this time nothing has been achieved. There is a growing sense that British Waterways may be attempting to duck out of its full responsibilities.

I am sure that the City Council would be interested to learn of progress upon the sub-committee’s Inquiry and perhaps you could write to update me as and when appropriate.

Brian J Dinsdal
Interim Chief Executive
Oxford City Council

Memorandum submitted by Thrupp Parish Council (BW 101)

REGENERATION OF BRIMSCOMBE PORT

When British Waterways brought forward the idea of regeneration of the local canals and Brimscombe Port some years ago Thrupp Parish Council took the lead in local consultations and in the creation of a regeneration plan to which the local community had full input and to which, after three public meetings, the local community had given its consent and backing.

British Waterways, (BW), subsequently used the Parish Regeneration Plan in its negotiations with the Heritage Lottery Fund and on each occasion representatives of the Fund visited Brimscombe Port for fact-finding, etc, representatives from the Parish Council were fielded by BW to explain and sell the Parish’s Canal/Port Regeneration Plan.

The Parish Council always invited representatives from BW and Stroud District Council to attend its meetings and believed assurances given that the mutual sharing of information and ideas about the project would continue.

Subsequent events have not been so reassuring.

The Parish Council is currently reviewing the community’s Plan to update it taking into account property acquisitions, business developments, etc. so that it keeps pace with the latest situation. In doing so, it has sought discussions with BW and has found that while giving lip service to community consultation no information about the project, especially as it affects the Port, will be divulged. This despite a written assurance from Richard Hanbury, the Chairman of the Canals Partnership, that the community will be kept informed.

In the early discussions about the project the main driving force was said to be the number of visitors likely to be attracted to the area. At that time, the enthusiasm of the local community was summed up in the phrase, “Putting the Heart back into Brimscombe”. The concept, often encouraged by BW, was of the attraction of visitors by boat, car or public transport to see a revitalised, busy Port with the possibility of, eg, taking a meal or snacks and coffee, shopping and walking around the various features, including the island, which was a feature of the original Port, and a large area of water. The parish expected some housing and industry as part of the mix.

When the Heritage Lottery Fund decided that it would support only a limited part of the project the emphasis shifted to the regeneration of “heritage structures”. The scope of the scheme was reduced so that the canal would go from Brimscombe to Stonehouse only; meaning that visitors would be unable to reach the area by boat and tourism took a back seat in discussions.

When this shift happened, the Parish Council became concerned that the Port regeneration was likely to be business-lead and that if a heart was to be put into Brimscombe it might well be an industrial heart with little feeling for the local community. The Parish Council’s concerns were underwritten when British Waterways explained that there was a £2 million shortfall between the grants it had attracted and the total cost of the regeneration of the canals and Port and it was planned that development of the Port would fund the shortfall. Two months ago the Parish Council met Andrew Stumpf, the BW Project Manager and he explained to it that a developer stood to make most profit from housing. Industrial development would yield much less and affordable housing would be of no interest whatsoever to developers.

The idea of a large tract of housing on the Port has strengthened with the information, provided by BW’s Community Links Involvement Co-ordinator, that is it proving difficult for BW to attract a developer for the Port without an idea of what is to be built there. To overcome this problem and to provide “a level of planning certainty” BW is “working with SDC to test some scenarios in planning terms to give us some idea what the consequences could be for, say, no housing, 50 houses, 100 houses or 370 houses—in planning terms,
area of water, transport and funding shortfall”. The progression from 50 to 100 and then to not 200 by 370 houses is not lost on the Parish Council. There is also the concern that ‘provision of planning certainty’ may outweigh meaningful consultation with the local community.

Despite the various blandishments offered to the Parish Council over time about proper consultations it finds itself with the deadline for commencement of development ever closer but with no shred of information to offer its parishioners.

You may have seen the most recent announcement by Stroud District Council that it intends to create an Area Action Plan specifically for Brimscombe. Within the statutory consultation document it state:

“The area has heritage significance and also has potential to be a unique landmark feature within the wider canals corridor. However, there are complex interactions between the planning constraints, community and stakeholder aspirations, potential restoration options and deliverability”.

The constant invitation to input ideas without any provision of factual information wears heavily on the parish representatives in their updating of the Parish Regeneration Plan. Without a shred of factual information the scope for wasted effort is almost limitless. The “planning constraints” have yet to be explained to the local community. At the same time “deliverability” may be synonymous with “affordability” and make the whole consultation exercise a farce.

At its last meeting, the Parish Council considered the current state of play and noted from a recent television report that you led a fact-finding tour of the various facets of regeneration as bearing on Gloucestershire. Councillors are unaware how much detailed information was provided to you but would be most grateful if there is any information which you have gleaned, particularly about Brimscombe Port, which you could divulge.

Any help you can provide in support the local community’s efforts to put the heart back into Brimscombe rather than lining a few developers’ pockets would also be very much appreciated. The community has made it clear that it welcomes an element of housing within a mixed redevelopment so as to provide round-the-clock activity, but does not want serried rows of housing with a narrow ribbon of stagnant water through them. Equally, it does not want a “yuppified” estate, but housing which can benefit local residents.

Thrupp Parish Council

June 2007