

ASSOCIATION of WATERWAYS CRUISING CLUBS



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The Environment, Food and Rural Affairs Committee
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Memorandum to the Select Committee

BRITISH WATERWAYS

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 affect that reduced Grant-in-Aid (GIA) will have on the retired 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 BW's funding position. We have a former BW Chairman (Sir Frank Price) as our senior Patron, who maintains a close interest in the waterways and AWCC.

3. The British Waterways Advisory Forum (BWAFF) 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 formation. 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 than 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 waterways 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 examples 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, e.g. 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 spent by the Government on GIA for 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.

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 continue. 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; e.g. 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, e.g. 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 Debateⁱⁱ 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 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 stream 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 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 feel 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 objectives. 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.

21. 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.

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ⁱ AWCC Memorandum to ETR Select Committee Secretariat dated 28 September 2000.

ⁱⁱ Hansard record of Sir Peter Soulsby’s Adjournment Debate, 6 December 2006