



House of Commons  
Environment, Food and Rural  
Affairs Committee

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**British Waterways**

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**Seventh Report of Session 2006–07**

*Report, together with formal minutes*

*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.

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

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### 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).

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## Summary

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We commend the commitment of Government, British Waterways (BW) and individuals over the past decade to improving the waterways network, and their success in doing so. We firmly believe that the waterways network is a vital public asset, and that the Government has a responsibility to keep the network in good order. We are therefore extremely concerned at the implications of likely lower Defra grant levels in the Comprehensive Spending Review 2007 period, from 2008–09 to 2010–11, on BW's ability to maintain the waterways network to an acceptable standard. BW says a funding settlement in which its grant level reduced by five per cent in real terms would result in a £35 million under-spend on major works by the end of the three CSR years alone, and the network would not then be "fully fit-for-purpose". We recommend that BW and Defra work together closely to agree a CSR 07 settlement that ensures the long-term stability of the waterways network. We expect Defra to consider carefully BW's claim that additional capital funding will be necessary for each year of the CSR 07 period if its grant settlement continues to reduce in real terms. We would also welcome the National Audit Office's view on the correct interpretation of the conflicting accounts given by the Department and BW about BW's finances between 2002 and 2012.

Our inquiry has showed that relations between BW and its sponsor department in England and Wales, Defra, have been tense in recent months. The former Inland Waterways Minister strongly criticised BW in public, on a number of grounds. Communication between Defra and BW must be improved. BW relies on Government for much of its funding, and therefore has a responsibility to ensure important business decisions and complex terms, concepts and models are explained clearly to its sponsor Department. The Department must also ensure those officials who deal with BW on a regular basis have a thorough understanding of these concepts, so they can brief ministers accordingly. A new minister is now in charge of BW; we believe this is the perfect opportunity for a fresh start in this relationship. The Department and BW must now both work to improve relations in the final negotiating period of the CSR process and beyond.

We consider it imperative that BW is granted every opportunity to deliver strategies that can help generate more of its own income. We recommend that Government fully support, and provide assistance to, BW in ensuring it achieves its ambitions to operate commercially on other waterways than those it owns or manages. Government should also grant BW an increased borrowing capability. We believe there is a strong case for providing BW with income gained from planning obligations under Section 106 of the Town and Country Planning Act—or from planning gain supplement, if introduced by Government—in respect of the increase in property prices realisable from waterside developments. We fully support BW's desire for a longer-term funding contract with Government to provide greater stability to the waterways network, and remind Government that this was recommended in the Policy Review of 2004–05. Government should ensure such a contract is agreed sooner rather than later. We believe there is a strong case that other Government departments—such as the Department for Culture, Media and Sport, the Department for Transport and the Department for Communities and Local Government—should make a direct contribution to BW's funding, to reflect the contribution BW makes to the agendas of those departments.

Much controversy has surrounded BW's aim to become "largely self-sufficient". Our inquiry has showed that a lack of clarity exists about what exactly BW's ambition to become "largely self-sufficient" means. Both Government and BW need to provide much more detail about what this means in practice and produce a detailed plan about how it can be achieved.

We were extremely surprised to discover that privatisation was one of the options being considered by BW's ongoing strategic options review, and are disappointed we were not informed about this during our evidence sessions with BW. In our view, privatisation is not a serious option: the waterways network is a public asset providing wide benefits to society and some Government funding will always be necessary. It should be ruled out by the Government.

# 1 Introduction

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## British Waterways

1. British Waterways (BW) is a public corporation, established by the Transport Acts of 1962 and 1968, with a main purpose of “managing, maintaining and developing its network of waterways and docks for the wider public benefit”.<sup>1</sup> Its network consists of some 2,200 miles of canals and rivers in England, Scotland, and Wales, about half of the UK’s navigable inland waterways system. Approximately half the UK population lives within five miles of a BW canal or river, and BW’s waterways serve the centres of almost every large town or city, especially in London.<sup>2</sup> The organisation employs 1,800 staff, based in nine regional offices in England, Wales and Scotland.

2. BW receives annual grant funding from Government, but its main source of income is generated through its own commercial activities. Its total income in 2006–07 was about £200 million.<sup>3</sup> As well as maintaining its existing network, BW is involved in other activities including: property development on land adjacent to its waterways; the restoration of derelict parts of the network; and the encouragement of freight transportation on the waterways.

## British Waterways’ network

3. Most of BW’s network dates back over 200 years, and requires regular and often intensive maintenance to avoid deterioration. BW owns and is responsible for the maintenance of thousands of assets along its network. BW categorises its assets into about 11,000 *principal* assets (such as bridges, aqueducts, embankments, tunnels and reservoirs) and 12,000 *non-principal* assets (including small embankments and footbridges, disused locks, jetties, slipways and signs/mileposts). BW grades its principal assets according to their condition. Principal Assets are graded from A to E, with A being good and E being bad. Those principal assets in the worst condition (grades D and E) are defined as ‘arrears’; since 2002, BW has been working to a target of repairing most its arrears by 2012, although this target has recently been postponed to 2016.<sup>4</sup>

4. BW estimates it costs £124 million per annum, at 2006–07 prices, to maintain its network at the minimum acceptable standard. Of this amount, £35 million each year is required for ‘major works’ on the network, which includes repair work on both principal and non-principal assets, and dredging.<sup>5</sup> About £89 million per annum is required for

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1 Ev 194, para 6

2 Ev 68, para 2.2

3 Ev 199, Annex A; Q 485.

4 BW’s original target, set in 2002, was to have only 10% of its principal asset arrears remain in condition D and E by 2012. This target had recently been changed to 15% of principal asset arrears remain in condition D & E by 2016. See Ev 210, Annex C.

5 Ev 75, para 4.2

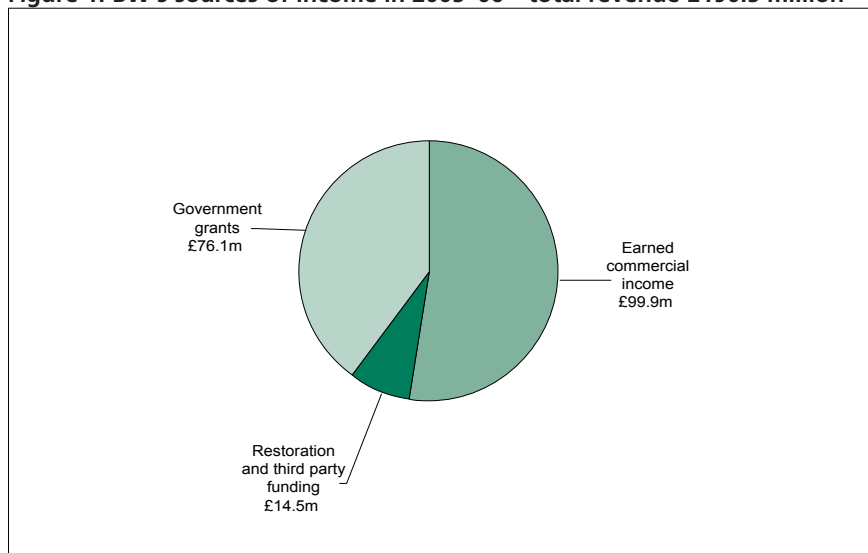
routine waterways maintenance (minor repairs, vegetation management, customer service provision).<sup>6</sup>

### Funding of British Waterways

5. As a public corporation, BW operates as “a self-financing trading entity acting at significant arm’s length from Government”.<sup>7</sup> This means it is required to run its affairs on a commercial basis, consistent with its statutory obligations, powers and objectives agreed with Government.<sup>8</sup> BW therefore earns revenue from boat licence and mooring fees, utility sales, joint venture projects with the private sector and property development on the land it owns adjacent to its waterways. Since its creation, BW has also received substantial levels of Government grant funding. Sponsorship of BW is a devolved matter in Scotland so, since 2000, BW has received grants from both the Department for Environment, Food and Rural Affairs (Defra) and the Scottish Executive Enterprise, Transport and Lifelong Learning Department.<sup>9</sup>

6. In recent years, BW has experienced considerable success with its commercial activities. Earned commercial 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.<sup>10</sup> Earned commercial revenue is now BW’s main source of income (see Figure 1), and BW believes it is likely to remain so in the future.<sup>11</sup> Figure 2 shows the levels of BW’s commercial income and Government grant since 1987–88; it clearly shows the dramatic increase in commercial income over the past decade.

Figure 1: BW’s sources of income in 2005–06—total revenue £190.5 million



Source: *British Waterways, Annual Report & Accounts 2005–06, p 1*

6 British Waterways, *Strategic Options Review*, May 2007, para 4.1

7 Ev 69, para 4.1.1

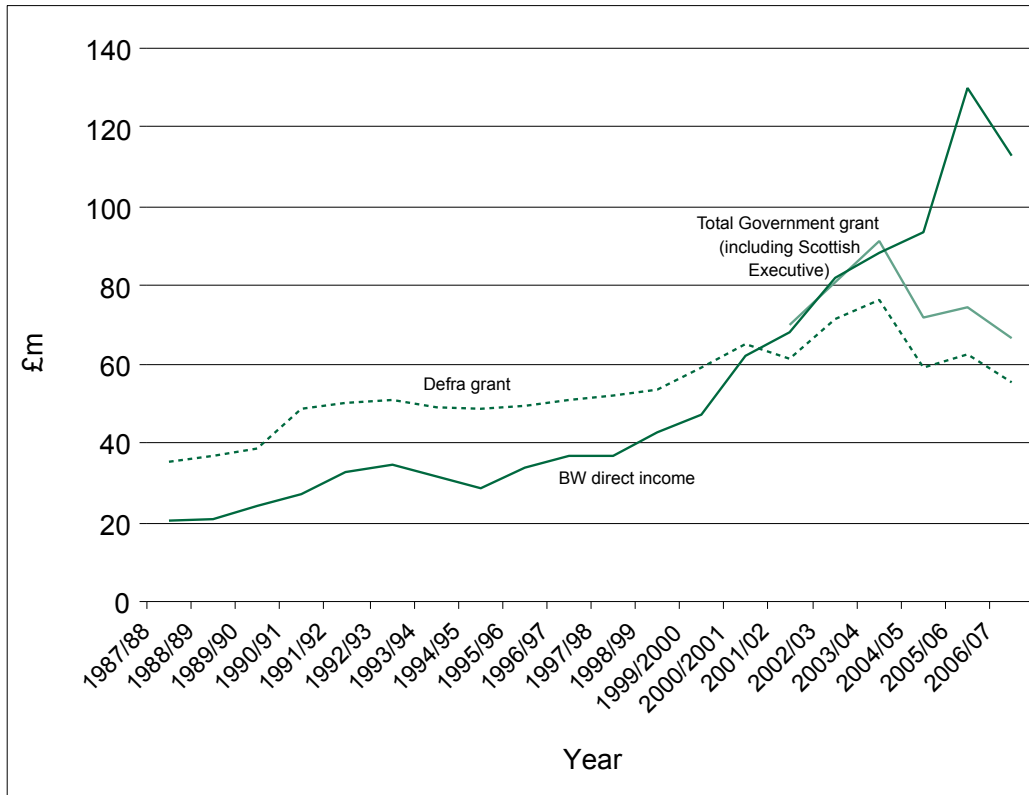
8 Ev 194, para 6

9 Defra is responsible for sponsorship of BW in England and Wales. The Department says it works closely with the Welsh Assembly Government. See Ev 195, para 8.

10 Ev 67, para 1.2.3

11 Ev 69, para 4.1.3

Figure 2: Government grant to British Waterways over the past twenty years compared with BW's direct income



Source: Ev 199, Annex A [Defra]

7. There are some constraints on BW's commercial freedoms because of its status as a public corporation. For example, BW is only allowed to operate commercially on those waterways it owns or manages. It is also subject to constraints on its ability to borrow. We examine these issues later in our Report.

## Our inquiry

8. In November 2006, we agreed to inquire into the work of British Waterways (BW). Our terms of reference were to examine how BW was 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 the 2001 document, *Waterways for Tomorrow*, the 2004–05 policy review of British Waterways, and recent changes in Defra's budget. In particular, we would consider:

- current users of the waterway network and their relationships with British Waterways;
- the financial framework of British Waterways and the impact of changes in Defra's budget;
- recent developments in the stewardship work and 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.

9. We appointed a Sub-Committee, under the chairmanship of Mr David Drew MP, to carry out the inquiry. It received written memoranda from 101 interested parties. From February to May 2006, we took oral evidence at Westminster from a number of interested and affected parties. As part of the inquiry, we also visited Stroud in April 2007, where we were shown around the site where restoration work on the Cotswold Canal was planned to begin. We then travelled by boat on the River Severn to the National Waterways Museum in Gloucester, where we took further oral evidence from various individuals with an interest in British Waterways work, and were able to witness the major redevelopment taking place in the docks. In June 2007, we visited the future Olympic site by boat where we observed the recently-started work on the new lock and water control structure on Prescott Channel in Bow. We are grateful to all those who gave evidence or otherwise assisted with our inquiry. We are particularly grateful to the Waterways Trust and National Waterways Museum staff, the Cotswold Canal Partnership and the staff at Stonehouse Town Council offices for making our visit to Gloucestershire such a success. We are also grateful to BW staff who facilitated our informative visit to the future Olympic site and the inland waterways of London.

## 2 Improvements to BW's network over the past decade

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10. The past decade has witnessed a transformation in the state of the UK's inland waterways. Many canals left to decline during the 1960s, 1970s and 1980s have now been cleaned up, restored and are once again a centre of activity. Waterways users—particularly the boating community—have a long and proud history of campaigning for the well-being of the nation's rivers and canals, and much of the recent success can be attributed to their efforts. However, the rejuvenation of the nation's waterways could not have occurred without political will at the highest level.

### 'Waterways for Tomorrow'

11. The initial political impetus to improve the nation's waterways network came in 2000 with the Department for Environment, Transport and the Regions' document, *Waterways for Tomorrow* (WFT).<sup>12</sup> WFT stated the Government's aim to "increase the economic and social benefits offered by the waterways by encouraging their improvement, development and restoration, wherever possible...".<sup>13</sup> It also stated Government's commitment to "maximise the opportunities" offered by the waterways for leisure and recreation, and for freight transport.<sup>14</sup> WFT remains an important document for BW today, both in terms of setting policy and guiding strategy.<sup>15</sup>

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12 Published in June 2000

13 Department of the Environment, Transport and the Regions, *Waterways for Tomorrow*, June 2000, p 40

14 *Waterways for Tomorrow*, p 6

15 Ev 72, para 8.1.3

12. In the wake of WFT, substantial funds were invested into the waterways network. Since 2000, BW has received a total of £524 million from Government, £452 million of which came from Defra.<sup>16</sup> BW also received considerable funds the Millennium Commission and the Heritage Lottery Fund.<sup>17</sup>

13. Spurred on by this investment, BW stated its ambition in 2002 that, by 2012, it would “create an expanded, vibrant, largely self-sufficient waterways network used by twice as many people as in 2002”.<sup>18</sup> This ambition is now incorporated into the organisation’s corporate plan.<sup>19</sup> We discuss BW’s “largely self-sufficient” ambition later in our Report (see paras. 46–51).

## Improvements to BW’s network

14. The combination of substantial investment in the waterways network, the commercial income generated by BW and the hard work carried out by BW staff and others with interests in the waterways network has resulted in noticeable improvements on large parts of the network. BW invested significant resources into repairing its arrears: those principal assets (bridges, aqueducts, embankments, tunnels, reservoirs) on the network in the worst condition. In the early 1990s, BW had circa £300 million of work required on its arrears; this amount has now been reduced to £107 million.<sup>20</sup> Importantly, BW was able to repair all arrears with health and safety implications; as a result, no identified infrastructure safety issues currently remain on BW’s network.<sup>21</sup>

15. The additional resources also allowed BW to encourage the restoration of derelict areas of the network, working in partnership with local authorities, Regional Development Agencies, the private sector and voluntary groups. Since 2000, over 200 derelict miles of the network have been restored, including the Huddersfield Narrow Canal, the Rochdale Canal and the Kennet & Avon Canal.<sup>22</sup> The work of volunteers has been particularly crucial in these restoration projects. During the network’s darker days, organisations such as the Inland Waterways Association and Cotswolds Canal Trust valiantly kept alight the flame of canal improvements and re-openings. The Huddersfield Canal Society campaigned for 27 years for the re-opening of the Narrow Canal, initially a scheme with little support. Similarly, the re-opening of the Rochdale Canal was the culmination of over 25 years’ volunteer work. These improvements to the network have resulted in significant rural and urban regeneration. BW estimates it is currently involved in regeneration projects worth £6 billion, and describes regeneration as “the biggest success of the modern waterway system”.<sup>23</sup>

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16 Ev 195, para 12

17 Ev 72, para 8.4.1

18 Ev 67, para 1.1

19 British Waterways, *Our Plan For The Future 2005–2009*, May 2005, p 8

20 British Waterways, *Strategic Options Review*, May 2007, para 4.1; Ev 210, Annex C.

21 Qq 242–243

22 Ev 70, para 5.2.1

23 Evs 222–223, para 4.7

16. Today’s waterways are a success story. It is estimated that 300 million visits are made to BW waterways each year.<sup>24</sup> Boating numbers have increased, with a record growth of 7% in 2006 to 29,000 boaters.<sup>25</sup> BW is possibly the largest single provider of coarse angling opportunity in the country, with anglers making about five million visits each year.<sup>26</sup> Nine million day-trip tourism visits are made to BW waterways each year, with over 100,000 people taking holidays on hireboats. The vast majority of network users, however, are not boaters, anglers or holiday-makers. It is estimated that 280 million visits each year—93% of the total—are made for local reasons including traffic-free routes to work and school, dog walking, and jogging.<sup>27</sup> Surveys indicate that the general public consider the waterways a valued and accessible national asset. Some 95% of the population consistently rate the waterways as an important part of the nation’s heritage; 85% consider them as good places to visit.<sup>28</sup>

17. We received substantial evidence from waterways users applauding the improvements made to the network over the past decade. The Inland Waterways Association described this period as a “Second Canal Age”.<sup>29</sup> The British Marine Federation said there had been a “renaissance” in the leisure boating sector in recent years.<sup>30</sup>

**18. The waterways network is a public asset, and Government has a responsibility to keep the network in good order. We therefore commend the commitment of Government, British Waterways and individuals over the past decade in improving the waterways network, and their success in doing so. Vibrant and flourishing canals and rivers provide significant economic, environmental and social benefits. Government should carry out a study to determine the full social benefit of the waterways network as a basis upon which to make future funding and strategic decisions.**

### 3 Impact of recent grant reductions

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19. British Waterways (BW) has had to deal with unexpected financial pressures in the last two years. Table 1 shows that BW’s Defra grant level in both 2006–07 and 2007–08 was £55.5 million, about £7 million less than received in 2005–06 and £7 million less than indicated for those years in the Spending Review 2004 settlement.<sup>31</sup> The 2006–07 reduction was particularly disruptive because it occurred in two stages, the second some months into the financial year. This placed BW under considerable pressure because much of its resource had already been committed on specific projects.

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24 Ev 67, para 1.2.4

25 Ev 67, para 1.2.2

26 Ev 68, para 2.5

27 Ev 68, paras. 2.6, 2.4

28 Ev 68, para 2.2. BW cites the source as the Inland Waterway Visits Survey.

29 Ev 3, para 36

30 Ev 28, Executive Summary

31 In 2007–08, Defra also provided BW with a £2.048 million contribution to repaying National Loan Fund loans. See Ev 69 [British Waterways], para 4.3.4, Ev 195 [Defra], para 12.

**Table 1 : Defra grant to British Waterways over the past ten years**

Year	1998– 1999	1999– 2000	2000– 01	2001– 02	2002– 03	2003– 04	2004– 05	2005– 06	2006– 07	2007 –08
Defra grant (£m)	53.6	59.0	64.9	61.5	71.6	76.6	59.1	62.6	55.5*	55.5*

\* expected £62.6 million (indicative budget allocation set in the Spending Review 2004 settlement)

Source: Ev 199 [Defra]

20. BW told us that it should be able to manage the short-term impact of the grant reductions, although a number of projects had been affected.<sup>32</sup> The 2006–07 grant reduction resulted in the postponement of £5.6 million worth of capital works, including refurbishment work on bridges, locks and aqueducts on the Grand Union Canal, the Leeds and Liverpool Canal and the Ribble Link, amongst others.<sup>33</sup> Similarly, BW told us that the 2007–08 “less than planned” grant meant adjustments had to be made to its planned work programme that year.<sup>34</sup> The financial pressures also resulted in the acceleration of 180 redundancies of BW staff, although these redundancies had already been planned as part of a wider restructuring programme.<sup>35</sup> One casualty of these job losses was BW’s central freight department.

21. We asked waterways users about the impact of the lower-than-expected grant levels in 2006–07 and 2007–08 on the general condition of the network. Most believed the impact of the cuts was manageable. The Inland Waterways Association, for example, told us BW could manage the shortfall “without serious impact ... albeit with difficulty”.<sup>36</sup> Others, however, said the impact of the reductions on the condition of the network was already becoming apparent. Shire Cruisers, a holiday hire boat company, said the reliability of the network had been “getting worse”, and was causing an increase in small emergency stoppages for its boating customers.<sup>37</sup> Similarly, Richard Clements, a holiday hotel-boat owner, said that the recent reductions had resulted in less dredging taking place on the River Severn, which affected his business.<sup>38</sup> Some witnesses told us that the quality of BW’s communications had noticeably decreased since the grant reductions (we comment more on BW’s relationship with its users in paras. 94–97).<sup>39</sup>

22. When we questioned Barry Gardiner MP, the former Minister for Biodiversity, Landscape and Rural Affairs, about the impact of the recent grant reductions on BW’s work, he acknowledged the difficulties BW had faced in having to adapt its work programme at short notice, particularly because of the in-year nature of the 2006–07 budget cut. However, he told us:

32 Ev 69, para 4.3.5

33 HC Deb, 6 February 2007, cols 762–763W

34 Ev 69, para 4.3.5

35 Q 254

36 Ev 45, para 7

37 Ev 296, paras. 7.4–7.5

38 Q 382. Mr Clements said that the grant reductions had resulted in BW reducing its dredging expenditure from £350,000 to £100,000 per annum.

39 For example, see Ev 294 [Shire Cruisers], para 4.2; Q 382 [Richard Clements].

... many other agencies and partners of Defra coped with larger in-year cuts without apparently experiencing the same problems.<sup>40</sup>

23. We acknowledge the difficulties British Waterways (BW) has faced in the last two years in having to cope with lower-than-expected grant levels. The 2006–07 in-year budget cut was particularly disruptive because BW had already committed resource to a series of projects. We have previously criticised the Department in our Report on *Defra’s Departmental Report 2006 and Defra’s budget* for not providing sufficient certainty to its delivery bodies about grant reductions. The Department should have recognised the particular disruption an in-year budgetary cut would have caused to BW, and should have looked at other ways to bring its budget into balance. We commend BW for adapting to these financial pressures at short notice.

## 4 Funding levels in the Comprehensive Spending Review 2007 period

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### Necessary funding in the CSR 07 period

24. The Comprehensive Spending Review 2007 (CSR 07) period lasts for the three years between 2008–09 to 2010–11. Throughout our inquiry, negotiations about funding settlements for this period were continuing between Her Majesty’s Treasury, Government departments and Governmental executive agencies, bodies and public corporations. Final CSR 07 settlements, including those for Defra and British Waterways (BW), are expected to be announced in autumn 2007.

25. BW told us that the lower-than-expected grant levels in 2006–07 and 2007–08 were “disappointing, but not, for the long-term, disastrous”.<sup>41</sup> Its major concern, however, was that the revised Defra grant of £55.5 million in those two years could signal a lower baseline for grant levels in the CSR 07 period:

What we have always said is important is the future. It is not the cut in 2006–07, it is not the cut in 2007–08, it is the direction in travel. We are a £200 million turnover business, we are spending £20–25 million on major works every year. If for two years those have to be delayed, that cannot be said to be a disaster. What is a disaster is if those cuts are not reinstated and the grant continues to reduce thereafter.<sup>42</sup>

26. Many witnesses shared these concerns. Waterways engineer Mr Bill Schlegel warned that a continued lower grant level beyond 2008 could mean many waterways returned to the “derelict or semi-derelict” state they were in the 1960s and 1970s.<sup>43</sup> The Inland Waterways Association (IWA) said lower grant levels in the CSR 07 period would create

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40 Q 428

41 Q 485

42 Q 485

43 Q 113

“adverse impacts [that] will be felt across Government departments”.<sup>44</sup> The Inland Waterways Amenity Advisory Council, the statutory advisory body to BW, told us that the priority should now be to “influence the outcome” of the CSR 07 negotiations.<sup>45</sup>

27. Whilst CSR negotiations have been underway during late 2006 and early 2007, many users of the waterway network have been involved in a significant lobbying campaign to raise awareness about the perceived dangers of future lower grant levels for BW. Several protests and canal barricades have taken place throughout the country, encouraged by groups such as Save Our Waterways.<sup>46</sup> Three Westminster Hall debates have been held on this issue, and Members of Parliament have tabled numerous Parliamentary Questions and Early Day Motions.<sup>47</sup> A petition opposing further reductions in BW’s Defra grant level obtained 38,101 signatures.<sup>48</sup> IWA told us:

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.<sup>49</sup>

### ***BW’s Comprehensive Spending Review bids***

28. We wanted further information relating to ongoing discussions between the Department and BW about possible grant levels in the CSR 07 period, and the potential impact that a lower baseline amount would have on BW’s ability to maintain its network. We received from Defra a plethora of correspondence between BW and Defra, including BW’s various CSR 07 proposals and bids to the Department during the second half of 2006 and early 2007.<sup>50</sup>

29. BW’s initial CSR 07 paper, in July 2006, made clear to the Department that BW’s preferred CSR 07 settlement was the restoration of its grant to the 2005–06 level of £62.6 million.<sup>51</sup> This would enable BW to “fulfil our vision of doubling our visitor numbers and becoming increasingly self sufficient over the 10 year period”.<sup>52</sup> BW’s submission, however, also included other funding scenarios in which its grant level was not restored to 2005–06 levels over the CSR 07 period, or remained at the £55.5 million level. BW warned that each

44 Ev 1, para 11

45 Ev 45, para 9

46 Protests took place at several locations around the country on the weekend of 3–4 March 2007, including Peterborough, Leicester and Braunston (“Row back canal cuts, say activists”, *Morning Star*, 3 March 2007, p 7). The Inland Waterways Association helped organise a flotilla of 30 canal boats along the river Thames on 16 January 2007 (“Canals in crisis over £35m cuts”, *Daily Express*, 15 January 2007).

47 Westminster Hall debates: HC Deb [British Waterways], 6 December 2006, col 112WH; HC Deb [Inland Waterways: West Midlands], 27 March 2007, col 367WH; HC Deb [British Waterways], 25 April 2007, col 271WH. Parliamentary questions include: HC Deb [Colin Challen], 14 December 2006, col 993; HC Deb [Charlotte Atkins], 10 January 2007, cols 593–594W; and HC Deb [Mr. Jim Cunningham], 17 January 2007, cols 1131–1132W. Early Day Motions include: EDM 109 (Session 2006–07), ‘Effects of cuts in the British Waterways grant’; EDM 477 (Session 2006–07), ‘Waterways in the Midlands’; and EDM 491 (Session 2006–07), ‘Southern Waterways’.

48 “Huge support for petition against cuts on canals”, *Birmingham Post*, 29 June 2006, p 6

49 Ev 2, para 18

50 Ev 214 [Defra]

51 Ev 235, para 4.5.4

52 Ev 233, para 2.4

one of these scenarios would result in an under-spend on the £35 million required each year on ‘major works’ (repair work on BW’s principal and non-principal assets, and dredging costs).<sup>53</sup> Other activities could also be affected, such as:

- BW’s restoration and regeneration work, including current projects on the Droitwich Canal, Cotswold Canal and the Manchester, Bolton and Bury Canal;
- BW’s £1.2 million funding contribution of the Waterways Trust, which meant the Trust could be “wound up”; and
- BW’s promotion of freight transportation on its waterways—BW would “stop promoting waterborne freight as further contracts will only add to our financial difficulties.”<sup>54</sup>

30. BW’s later CSR submissions in December 2006 and February 2007 indicate that a restoration of the grant to its 2005–06 level is unlikely.<sup>55</sup> All the funding forecasts contained in these submissions are based on a CSR 07 settlement in which BW’s funding reduced in real terms on a year-by-year basis, such as RPI -2.5% and RPI -5%. BW’s February submission is based solely on the assumption of a RPI -5% settlement, and the information we received during our inquiry in early 2007 reinforced that RPI -5% was becoming the dominant predicted settlement in negotiations.<sup>56</sup> In March 2007, BW’s Chief Executive confirmed that:

... the mood music to us is that at the very best it will be flat cash, but it is probably likely to be a little less”.<sup>57</sup>

31. These later submissions to the Department again highlight the implications of such a settlement. BW warns that a RPI -5% settlement would result in a £35 million under-spend on its major works by the end of the CSR 07 period (as shown in Table 2 below): the under-spend would “accumulate to such a level that assets in poor condition with high consequence of failure will remain un-repaired”.<sup>58</sup>

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53 Ev 235, paras. 4.3.5–4.4.3

54 Evs 236-7, paras. 5.6, 5.9–5.10.

55 Ev 220; Ev 217

56 Financial projections provided to the Minister by BW on 23 April 2007 were calculated on the basis of a RPI -5% settlement (Ev 213, Annex D). Unsuccessful discussions between the Department and BW about the possibility of a longer-term funding contract in late 2006 and early 2007 were based on a possible RPI -5% settlement (Ev 219, para 5; Ev 241, para 4).

57 Q 255

58 Ev 219, para 5.2; Ev 227, para 8.2.24

Table 2 : BW's under-spend on major works, assuming a RPI -5% settlement for the CSR 07 period

	Forecast CSR expenditure on major works (£m)	Required expenditure on major works (£m)*	Under-spend (£m)
2007–08	27.5	35.0	7.5
2008–09	29.1	37.3	8.2
			(cumulative, 15.7)
2009–10	30.0	39.7	9.7
			(25.4)
2010–11	32.7	42.3	9.6
			(35)

\* £35m at 2007 prices increased by construction price inflation at 6.5% pa

Source: Ev 219 [Defra]

BW warned the Department that “under your proposed CSR07 grant scenario [of RPI -5%], we cannot achieve a fully fit for purpose network”, and expressed concern about the “growing gap between Government policy set out in [*Waterways for Tomorrow*] and the grant regime being proposed”.<sup>59</sup> BW also stressed that its commercial income “cannot absorb” the income lost through grant reductions over this period; to do so, net commercial income would have to rise by over 10% per annum for each year of the CSR 07 period.<sup>60</sup>

32. In February 2007, BW made a formal separate bid for an additional £5 million capital funding for each year throughout the CSR07 period (capital funding is not affected by the RPI decreases).<sup>61</sup> The capital bid was made on the assumption of a RPI -5% deal, and was intended to mitigate the effects of such a settlement. Although BW warned the Department that the additional £5 million per year would not fully compensate for the reduction in resource caused by a RPI -5% settlement, the funding would keep BW's major works programme “substantially on track”.<sup>62</sup> At the time of publication of this Report, BW's bid for an additional £5 million capital grant each year remains at the table.

### Minister's comments to the Committee

33. We questioned the Minister in April 2007 about the widespread concerns relating to the impact of continued lower grant levels in the CSR 07 period. The Minister first wanted to stress that a RPI -5% settlement had “certainly been discussed” between his Department and BW but was “not agreed”, although he acknowledged Defra would receive a “tight” settlement.<sup>63</sup> The Minister surprised us, however, by telling us he had recently received new financial information from BW which suggested that BW's funding circumstances in the CSR 07 period were better than commonly supposed, even with a declining grant level.

59 Ev 218, para 3.4; Ev 222, para 4.1.

60 Ev 221, para 1.4

61 The first indication we have that BW intended to make a capital grant bid is in its CSR 07 submission to the Department in December 2006 (Ev 221, para 1.6). BW formally made its capital grant bid in February 2007 (Ev 217).

62 Ev 220, para 7.3

63 Q 461; Ev 214.

34. The Minister said that the new figures he had received showed that—even with a RPI -5% settlement for the CSR 07 period—BW was still set to receive £30.1 million more income between 2002 and 2012 than initially forecast in 2002. This was because BW had earned far more commercial income than it had initially forecast during this period, and also received more grant between 2002 and 2007 than it had expected.<sup>64</sup> The Minister said this additional income exceeded, by £30.1 million, the income lost by a future possible RPI -5% CSR 07 settlement. The Minister also said that the figures showed BW would be saving on operating costs, due to the organisation’s accelerated job redundancy programme.<sup>65</sup> He said:

It is not for me to challenge these figures but it is for me to point out that ... on that basis [British Waterways] 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.<sup>66</sup>

35. When we asked the Minister whether BW was being reasonable in expressing concern about the impact of a lower grant level in the CSR 07 period, he replied:

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.<sup>67</sup>

36. We called BW to a second evidence session to hear their response to the Minister’s comments. BW told us this was “not a helpful interpretation of the figures”.<sup>68</sup> BW said the additional £30.1 million figure referred to by the Minister had to be divided into the additional income in the past (2002–03 to 2006–07) and additional income expected in the future (2007–08 to 2010–11).<sup>69</sup> Table 3 shows that BW earned over £70 million more between 2002 and 2007 than it had forecast in 2002, primarily because of unexpected commercial income but also because it received £8.9 million more grant than expected. Looking to the future beyond 2007–08, however, BW is set to receive £56.7 million less grant than forecast in 2002, under a RPI -5% scenario. Even with increases in its forecast commercial income over this period, this still left a deficit in the next few years of about £41 million compared to the expectation in 2002.

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64 Q 432

65 Q 446

66 Q 447

67 Q 437

68 Ev 243, Overview

69 Ev 243, Overview

Table 3: British Waterways' sources of income: differences between 2002 Plan and 2007–08 forecast

	The past 2002–03 to 2006–07	The future 2007–08 to 2010–11
<b>Grant income</b> (difference between 2002 Plan and 2007–08 actual/forecasts)	+ £8.9m	- £56.7m
<b>Earned commercial income</b> (difference between 2002 Plan and 2007–08 actual/forecasts)	+ £61.6m	+ £15.2 m
<b>Net of grant and earned commercial income</b>	+ £70.5 m	- £41.5

Source: Ev 247 [British Waterways]

37. BW told us this distinction between past and future was important because the organisation was obliged by law to balance its income and expenditure within the same period of two to three years.<sup>70</sup> Therefore, the vast amount of additional income earned and received in the past had already been spent, on “new business developments” (£24.8 million), increased pension costs (£7 million) and other areas, with the “full knowledge, full understanding and full approval” of the Department at the time.<sup>71</sup> BW summed up:

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.<sup>72</sup>

38. BW added that the £8.9 million additional grant received between 2002–2007 had not even come from Defra:

[The] £8.9 million of extra grant income ... is entirely from the Scottish Executive and it has ... got to be spent in Scotland to meet very specific projects that they set in those years.<sup>73</sup>

39. BW also rebutted the Minister's claims about the savings BW was set to make in the future on ‘operating costs’ because of staff efficiencies. It stressed that reduced ‘operating costs’ provided in the figures “include some efficiencies but also means lower spend on maintenance and provided in major works on the waterways”.<sup>74</sup> We comment more on BW's accelerated job redundancy programme, and its impact, in paras. 20 and 95.

## Our views

40. Negotiations for funding settlements during the Comprehensive Spending Review (CSR 07) period are continuing. We acknowledge that British Waterways (BW) is at an informational advantage compared to the Department when determining the level of funding required to maintain the waterways network over the next three years. However, based on the evidence BW has provided to us and to the Department, **we are extremely**

70 Ev 244; Q 507.

71 Ev 244, Overview; Q 507.

72 Ev 244, Overview

73 Q 508

74 Ev 248, Q 4

**concerned at BW's forecasts of the impact of a RPI -5% settlement on the maintenance of its waterways network.** BW says this scenario would result in a £35 million underspend on major works by the end of the three CSR years alone, and the network would not be “fully fit-for-purpose”.

41. We are not convinced by the relevance of the former Minister's statement that, even in an RPI -5% scenario, BW will have received £30 million more grant between 2002 and 2012 than planned in 2002. The Minister failed to take into account the fact that additional grant income in the past was spent in the past, and the additional Scottish Executive funding which was spent in Scotland alone. Although we welcome the Minister's unusual candour and refreshing openness, we were surprised he chose to make such statements in public to the Committee in apparent haste without discussing his interpretation of the figures with BW first. We comment more on the relationship between Defra and BW in paras. 110–123.

42. We are not completely satisfied, however, that the explanations we have been given fully account for the disagreements that have occurred between Defra and British Waterways, or that a conclusive picture of the costs of running the waterways network over the coming years has emerged. **We would welcome the National Audit Office's (NAO) view on the correct interpretation of the conflicting accounts given by the Department and BW about BW's finances between 2002 and 2012, taking into account whether BW's forecast income streams from a variety of sources—property, Government grant or elsewhere—are sufficient to maintain the network during the coming years.** We recognise that the NAO has no audit access rights to BW and thus the NAO's work would need to be on the basis of a review of papers held by the Department and of seeking the views of British Waterways, as appropriate.

43. **The most important outcome from the CSR 07 negotiations must be to secure the future stability of the waterways network; something that the Government and BW both desire. We trust that BW and Defra will put their recent disagreements aside and work together closely to agree a CSR 07 outcome that ensures this stability. We expect Defra to consider carefully BW's claim that additional capital funding will be necessary for each year of the CSR 07 period if its grant settlement continues to reduce in real terms.**

## Future of the Waterways Trust

44. The Waterways Trust is an independent charity established in 1999, which has a UK-wide remit to help realise the educational, social, economic and environmental benefits of waterways for all sections of the community.<sup>75</sup> It relies on annual funding from BW, and its work includes fundraising projects for BW, bringing together partnerships for waterway restoration projects, and the operation of the National Waterways Museum and Archive. In evidence, the Trust expressed concern at the impact of possible future reductions in BW's grant level on the Trust's ability to maintain the Museum.<sup>76</sup> Current funding of the Museum was already “unsustainable”, and the Trust told us it had approached

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75 Ev 171 [Waterways Trust], para 1

76 Evs 172-173, paras. 4.1–4.2

Government to provide an additional £450,000 per annum to enable it to offer free entry to the Museum, and thus double visitor numbers in two years.<sup>77</sup>

### **Our views**

45. We recognise the value of the Waterways Trust, and particularly the value of the Natural Waterways Museum which we consider a priceless store of information on our industrial heritage. We note the concerns of the Trust that the current funding of the Museum is unsustainable. **We recommend the Department for Culture, Media and Sport look favourably on introducing methods by which the Waterways Trust could adopt a free-entry policy to the National Waterways Museum—common with some other national museums—and thus increase visitor numbers to provide greater security for the care of the national assets which are its responsibility.**

### **BW’s ambition to become “largely self-sufficient”**

46. One of British Waterways’ ambitions, set in 2002, is to become “largely self-sufficient” by 2012.<sup>78</sup> Our inquiry showed that much confusion and controversy surrounds this ambition, particularly in terms of what implication this had for BW’s future Government grant levels. Defra has often referred to this ambition; in evidence, the Department said it expected BW to invest appropriately in the network “while accelerating moves towards self-sufficiency”.<sup>79</sup> Many witnesses during our inquiry questioned the suitability of the ambition, and BW’s motivations for adopting it.<sup>80</sup> Users of the network, such as IWA, stressed that some Government contribution to the funding of the waterways network would always be necessary because of the public benefits provided by the network and the fact that the vast majority of its users did not directly contribute to its cost.<sup>81</sup>

47. We asked BW about its ambition to become “largely self-sufficient”. The Chief Executive was keen to stress the “largely” aspect of the ambition:

We have always said “largely self-sufficient”, never self-sufficiency. We have never accepted, never believed, we could be 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 get from our assets, and I was trying to galvanise British Waterways and all [its staff] 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.<sup>82</sup>

He added that self-sufficiency was the “drive within the organisation to realise that being more self-determined is a real asset and benefit for us”.<sup>83</sup>

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77 Evs 172-173, para 4.2

78 Ev 67 [British Waterways], para 1.1

79 Ev 198, para 33

80 For example, see: Ev 270 [Louis Jankel], para 1.1; Ev 321 [Historic Narrow Boat Owners Club], para 4; Q 369 [John Keyes].

81 Q 10

82 Q 486

83 Q 486

48. When asked what the ambition meant in practice in terms of future grant levels, BW's Chairman told us that, by 2012, BW would like to have only 25% of its income to be Government-funded, with the rest self-generated. He stressed, however, that the crucial issue was "the speed with which one gets there".<sup>84</sup> At present, 45% of BW's income comes from Government, and this proportion was 60% in 2002.<sup>85</sup> He also said certain conditions would have to be guaranteed before BW achieved this aspiration, including allowing the organisation greater commercial freedoms and the repair of its remaining £107 million principal asset arrears.<sup>86</sup>

49. BW's Chief Executive added that BW's situation had changed considerably since 2002, when it initially stated its ambition to become "largely self-sufficient":

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. ... 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.<sup>87</sup>

He said a RPI -5% scenario over the CSR 07 period (without additional capital funding) would mean that Government grant would be reduced to 35% of BW's total income by 2012, which was still "quite a transformation".<sup>88</sup>

### **Our views**

50. Much controversy has surrounded BW's aim to become "largely self-sufficient". The Government, in particular, has often been keen to reiterate this aim, in the context of recent and possible future grant reductions. However, our inquiry has showed that a lack of clarity exists about what exactly BW's ambition to become "largely self-sufficient" means, in terms of its future funding. It is not a very helpful concept, and its vagueness can only have contributed to the tense negotiations occurring between the Department and BW about appropriate grant levels in the near to medium term future.

**51. We agree with BW senior management that it is healthy for the organisation to aim to lessen its dependency on Government in the long-term. If BW is to keep its ambition to become "largely self-sufficient", both Government and BW need to provide much more detail about what exactly this means in practice. They must also produce a detailed plan about how it can be achieved. Government should make it clear that it recognises the waterways network as a public asset and that it has a national responsibility to ensure the network is kept in good order. It must also recognise that income from property development is finite and may not always be available to compensate for further reductions in Government support.**

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84 Q 262

85 Qq 487-488

86 Q 262

87 Q 490

88 Q 488

## 5 Changes to British Waterways' financial and regulatory framework

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### Possible options for change

52. We wanted to know how British Waterways' (BW) existing financial and regulatory framework could be changed to enable it to generate more income and thus provide greater stability for the waterways network in the long-term. Several such changes have already been discussed between the Department and BW, such as: the possibility of a longer-term contract; increased commercial freedoms and borrowing powers for BW; and the amendment of existing planning obligations. We examine each of these in more detail below.

### Long-term funding contract

53. The idea of a longer-term contract is not new, and was actually endorsed in the 2004–05 Policy Review of BW by the Department for Transport's (DfT) In House Policy Consultancy.<sup>89</sup> The review concluded that a five to seven year funding contract would enable BW to deliver “significant cost savings”, and recommended that “Government commits to longer term funding on a contractual basis”.<sup>90</sup> Many witnesses to our inquiry believed such a contract would provide greater stability to the waterways network. The Waterways Trust told us that a Governmental contract, which “put the Defra grant into a contractual framework for services rendered”, would be a “very positive” move in providing greater certainty for the network.<sup>91</sup>

54. In evidence, BW told us that it specifically wanted a seven-year funding contract with Government.<sup>92</sup> Negotiations about such a contract—covering the CSR 07 period and beyond 2010–11—took place between the Department and BW in late 2006, but broke down partly because of disagreements about the level of funding over this period.<sup>93</sup> Further discussions took place in February 2007 about a shorter four-year funding contract, but the Minister decided not to pursue these talks until he had required more financial information from BW.<sup>94</sup> Appearing before the Sub-committee in April 2007, BW suggested that all talks on a longer-term funding contract had now stalled:

... we are not pursuing [these discussions] at the moment because neither party can commit to the sort of money that it is anticipated being available.<sup>95</sup>

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89 The review report was written by an independent consultant from the In House Policy Consultancy. It made recommendations agreed by the Review Steering Group to Defra and Scottish Executive Ministers.

90 Policy Review of British Waterways, para 42

91 Q 404

92 Q 262

93 Ev 219, para 5. Correspondence we received suggests Defra was only willing to consider a seven-year contract on the basis of a RPI -5% reduction each year, which BW could not accept.

94 Ev 241, para 4. These negotiations were also based on a RPI -5% settlement.

95 Q 256

55. We asked the Department what conditions had to be fulfilled for it to accept a longer-term contract with BW. Defra said it first required BW to provide clear information about “implications for the longer term” beyond the period of any proposed contract, because “delayed funding for asset maintenance can lead to increased pressures over time”. The contract also had to be set in a context where there was “sufficient total income planned to deliver an appropriate condition of the network”. The Department said it did not yet have “enough certainty that BW can use its income growth to deploy sufficient funding into the network to achieve this”.<sup>96</sup>

### **Increased commercial freedoms**

56. BW told us it wanted to relax some of the constraints it faced as a public corporation. It told us it currently had an “artificial restriction” in that it was only able to operate commercially on land adjacent to those waterways it owns or manages.<sup>97</sup> BW is also subject to restricted commercial borrowing powers, with a limit of £35 million per year.<sup>98</sup>

57. The Department appears willing to consider removing some of these constraints. We received Defra internal papers, from November 2006, which stated the Minister was happy to consider clear proposals from BW for “any legal changes ... that would help free them up”.<sup>99</sup> Discussions took place between the Department and BW about the means by which BW could be allowed to operate commercially on other waterways; efforts were made to secure these provisions through the Natural Environment and Rural Communities Bill although these were unsuccessful.<sup>100</sup> Since then, Defra has asked BW to prepare a proposal for a regulatory reform order (RRO) to grant it such additional development powers; the Minister said he was still awaiting to receive this proposal.<sup>101</sup>

58. In evidence, BW told us its RRO proposal was currently in preparation, and that it was currently in discussion with the Cabinet Office about this matter.<sup>102</sup> However, BW said such additional powers would probably not be “transformational in our fortunes”. Such freedoms could generate another £1 million a year “over time”, although there was always a possibility BW could undertake a “spectacularly worthwhile” property development.<sup>103</sup>

59. We asked the Department about the possibility of increasing BW’s borrowing ability, and how this could be achieved. The Department told us that “an increase in commercial borrowing powers would require a change in [BW’s] status” to “allow BW to raise commercial debt in its own right rather than through joint ventures”. The Department said it was “theoretically possible” to amend legislation to increase BW’s borrowing limit from Government but any such increase would need Defra Departmental Expenditure

96 Ev 240, para 3

97 Q 258

98 Ev 230 [Defra]

99 Ev 229, Annex G

100 Q 550. For accounts of some of these discussions, see Evs 209, 229-231.

101 Q 456; HC Deb, 27 March 2007, col 387WH.

102 Q 256; Q550

103 Q 553

Limit cover. The current fiscal restrictions requiring Departments to live within their existing budgetary control totals meant “an increase in the near future is highly unlikely”.<sup>104</sup>

### **Planning Gain Supplement**

60. Government are planning to amend Section 106 of the Town and Country Planning Act 1990, by the introduction of planning gain supplement (PGS). The Chief Executive of BW told us:

It is commonly known and proven that when we restore and improve a waterways the value of the land increases by 20 per cent. We are making a case that 20 per cent of the planning gain supplement [on waterside developments] could come to us. That is something that we are discussing with the Department of Communities and Local Government.<sup>105</sup>

### **Our views**

61. We consider it imperative that British Waterways (BW) is granted every opportunity to deliver strategies that can help generate more of its own income; however, BW currently faces severe constraints in this respect. Changes to BW’s financial and regulatory framework could provide the waterways network security in the long-term, and ensure BW was no longer vulnerable to unexpected financial pressures like occurred in 2006–07.

62. We are encouraged that Government recognises the need to make changes to BW’s status to enable it to generate further income. The recent pressures on the relationship should not discourage from both working together to find appropriate solutions. **We recommend that Government fully support, and provide assistance to, BW to ensure that it achieves its ambitions to operate on waterways other than those it owns or manages. Government should also grant BW an increased borrowing capability. We also confirm that there is a strong case for providing BW with income gained from planning obligations under Section 106 of the Town and Country Planning Act—or from planning gain supplement, if introduced by Government—in respect of the increase in property prices realisable from waterside developments.**

63. We are disappointed that negotiations about a longer-term contract appear to be less advanced. **We fully support BW’s desire for a longer-term funding contract with Government to provide greater stability to the waterways network, and remind Government that this was recommended in the Policy Review of 2004–05. Government should ensure such a contract is agreed sooner rather than later.**

### **Funding from other Government departments**

64. A number of other Government departments depend on BW to contribute to the implementation of their policies: the Department for Culture, Media and Sport for heritage, tourism, and sports; DfT for freight and implementation of water safety policies;

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<sup>104</sup> Ev 241, para 6

<sup>105</sup> Q 550

and the Department for Communities and Local Government for urban and rural regeneration.<sup>106</sup> However, none of these other departments contributes directly to BW's funding. In evidence, BW told us:

...almost never is [another Government] 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 money from different departments.<sup>107</sup>

**65. We conclude that there is a strong case for other Government departments—such as Culture, Media and Sport, Transport and Communities and Local Government—to make a direct contribution to BW's funding, to reflect the contribution BW makes to the agendas of those departments. We recommend that Government prepare proposals to ensure this is achieved, as part of the next CSR review.**

### British Waterways' strategic options review

66. BW is currently undertaking a strategic options review to “consider and investigate whether BW's current institutional form and financial structure are optimal for the long-term security and success of BW's inland waterways”.<sup>108</sup> The review was initiated at the Department's behest: Defra had asked BW to “come forward with a range of scenarios and workable proposals for changing its framework”.<sup>109</sup> In our evidence session in April 2007, BW confirmed it was currently undertaking a “long term piece of work” to establish “whether the way we are currently constituted as a public corporation delivers best value”.<sup>110</sup> As part of the review process, BW sent a confidential strategic options brief to eight business consultants, asking them to examine the feasibility of nine possible range of structures. The brief states that BW has “no pre-conceived preferences” about its possible optimum structure.<sup>111</sup>

67. Following a leak of the brief, newspaper reports revealed in late May 2007 that privatisation was being considered as part of the review. The media coverage suggested that the privatisation options had been included in the brief at the instruction of the Government; one headline read: “Government considering a billion pound-plus sale of the country's canals and waterways”.<sup>112</sup> BW immediately issued a press release to stakeholders, in which the Chief Executive stressed that press coverage “sometimes tends to emphasise the sensational”.<sup>113</sup> The press release made clear it was “not the policy of the Board or of Government to privatise British Waterways”; however, “to carry weight in any subsequent policy discussions we decided that the brief needed to consider the full range of possible

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106 Ev 197, para 27 [Defra]

107 Q 257

108 BW 11e [British Waterways][Not printed]

109 Ev 240, para 1 [Defra]

110 Q 550

111 British Waterways, *Strategic Options Review*, May 2007, para 5

112 *The Times*, 24 May 2007.

113 BW 11e [Not printed]

options for British Waterways”.<sup>114</sup> A Government spokesman was also reported as stating it was not Government policy to privatise BW.<sup>115</sup>

68. We were surprised to discover later that the Department had not been informed that BW would include privatisation as an option in its review; in fact, it appears the Minister specifically instructed BW not to include privatisation at all. We received a letter that the Minister sent to the Chairman of BW on 10 June 2006, in which he strongly criticised BW for its actions.<sup>116</sup> The Minister was “hugely disappointed” that the Department had not been informed that BW would include privatisation as one of its options in the brief. His letter stated:

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.<sup>117</sup>

We comment more on the relationship between Defra and BW later in our report (see paras. 110–123).

### **Our views**

69. We were extremely surprised to discover that privatisation was one of the options being considered as BW’s ongoing strategic options review, and are disappointed we were not informed about this during our evidence sessions with BW. We question why BW included privatisation at all, given the Minister’s apparent instructions to include “all options except privatisation”. **We welcome BW’s confirmation that privatisation is not a serious option for BW’s future structure, and we strongly share this view. The waterways network is a public asset providing wide benefits to society and thus some Government funding will always be necessary. In its response to this Report, Government should rule out privatisation as an option for the waterways network, and make clear its reasons for so doing. However, as part of the Government response, BW should state why privatisation was included in its strategic options brief in the first place. It should also present to this Committee the financial analysis which confirmed privatisation as an option.**

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114 BW 11e [Not printed]

115 “Government considers £1bn sale of waterways”, *The Times*, 24 May 2007

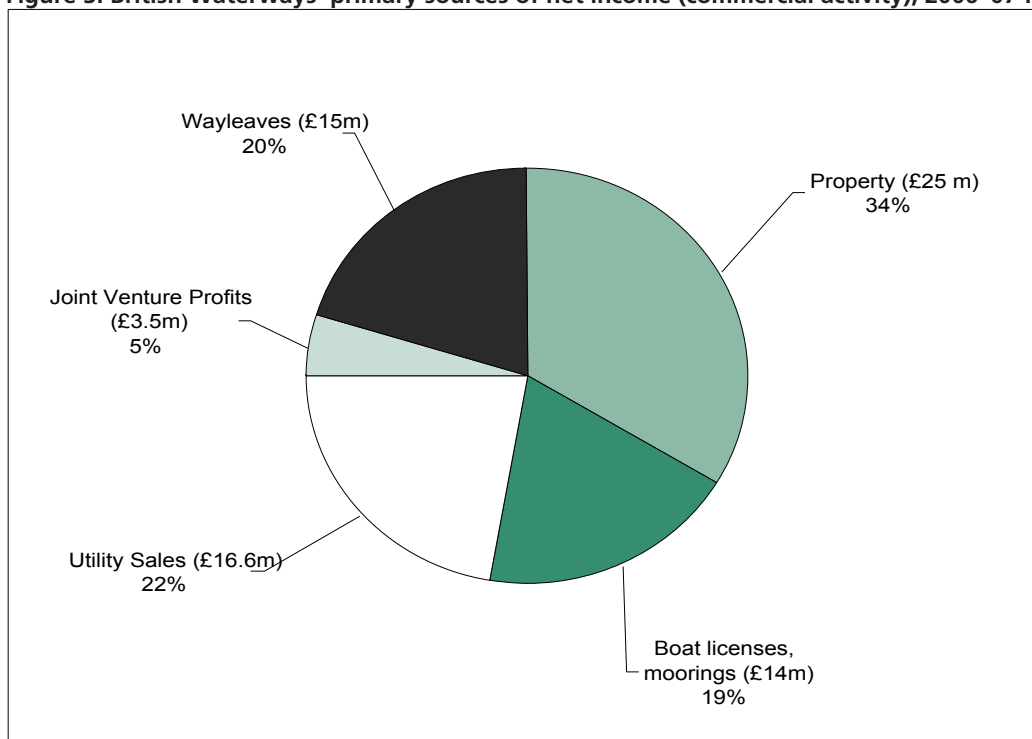
116 Ev 242

117 Ev 242

## 6 British Waterways' commercial activities

70. British Waterways (BW) earned commercial income is now its biggest source of revenue and is likely to remain so in the future. In 2006–07, BW is expected to have a commercial gross income of about £100 million.<sup>118</sup> Figure 3 shows that about 34% of earned income in 2006–07 will come from BW's property development activities, 22% from utility sales, 19% from boat licence and mooring fees and 5% from joint venture profits.

**Figure 3: British Waterways' primary sources of net income (commercial activity), 2006–07 forecast**



Source: Ev 70 [British Waterways]

71. BW owns more than 1,700 properties worth a total of £520 million.<sup>119</sup> However, the 'In House Policy Consultancy's 2004–05 policy review of BW stated that BW's core business was the "stewardship of its waterways network".<sup>120</sup> Some witnesses told us that a tension existed between BW's commercial activities—particularly its interest in property development—and stewardship of the network. Boater Simon Greer said BW was "more interested in property development ... and corporate survival than it is after looking after boaters or canals".<sup>121</sup> The Residential Boat Owners' Association said that BW's commercial

<sup>118</sup> British Waterways, *Strategic Options Review*, May 2007, para 4.2

<sup>119</sup> British Waterways, *Annual Report & Accounts 2005–06*, p 24

<sup>120</sup> In House Policy Consultancy, *Policy Review of British Waterways, 2004–05*, p1. The In House Policy Consultancy is based in the Department for Transport. It made recommendations agreed by the Review Steering Group to Defra and Scottish Executive Ministers.

<sup>121</sup> Ev 269, para 3

activity has resulted in it “taking its eye off the ball” regarding stewardship of the network.<sup>122</sup>

72. Some witnesses were particularly concerned about the type of waterside developments and business deals BW was involved with. The Inland Waterways Association (IWA) said “unreasonable financial pressures” were forcing BW into “inappropriate dealings to over-commercialise the waterway network and asset-strip”, and expressed doubt about whether BW’s partnership with Scottish & Newcastle to develop a network of waterside pubs was suited to the waterways environment.<sup>123</sup> Boater John Keyes said that a lot of BW’s developments were land-based offices and housing that did “not reflect the character, heritage or use of the waterways”.<sup>124</sup>

73. When we questioned BW about some of these criticisms, BW stressed that it was a waterways company and argued forcefully that its property assets were “totally integral with the development of the waterways”.<sup>125</sup> Its driver was the maintenance and preservation of its network, and all its money was spent on this.<sup>126</sup> Some witnesses supported BW’s performance in this area: boater Sir Adrian Stott believed it would be “improper” for BW not to attempt to obtain the “best possible return from its assets”.<sup>127</sup>

## Our views

74. British Waterways is under immense pressure to generate income: income which ultimately funds the maintenance of the waterways network. BW has a difficult task in striking the right balance between its stewardship responsibilities and its commercial activities, especially property development. We note the concerns of many users of the waterways network that BW has not currently got this balance right. **We recommend that BW develop an environmental heritage strategy for the waterways, in tandem with the Waterways Trust. This should involve all interested parties, and could be orchestrated through the British Waterways Advisory Forum.**

## 7 Potential for growth in leisure use of the waterways network

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75. The inland waterways network’s original purpose of commercial freight has now largely disappeared and the waterways are used primarily for leisure. BW estimates that 300 million visits are made to the waterways each year, mostly on the towpath. There are currently 29,000 licensed boaters on its waters. BW told us that the number of licensed craft has “grown consistently year on year”.<sup>128</sup>

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122 Ev 310, para 12

123 Ev 4, paras. 46 and 48

124 Q 371

125 Q 262

126 Q 266

127 Q 356

128 Ev 71, para 6.1; Ev 67, para 1.2.2

76. We were interested to know how much potential there was for further growth in the leisure use of the network. Several witnesses told us this potential was considerable. Boater Louis Jankel said the potential was “enormous” because more and more UK families are taking two or more annual holidays.<sup>129</sup> Shire Cruisers—a holiday hire-boat company—agreed that the potential for growth was “good”, and pointed out that over 100,000 people take hire-boats holidays each year.<sup>130</sup>

77. Some users of the network, however, told us that several constraints existed that could hinder further significant growth in leisure use of the network. First, some boaters were concerned that boating was becoming too expensive to grow considerably as a leisure activity (boat licences and mooring fees currently raise about £14 million per annum for BW).<sup>131</sup> One boater said that many licence holders felt that they were simply a “milk cow” for BW to exploit.<sup>132</sup> Save Our Waterways warned that canal boating was “growing to be too expensive for the average family”.<sup>133</sup> Several witnesses representing the boater sector—such as the British Marine Federation—expressed concern that licence and mooring fees would only increase further in the context of the current financial pressures, and that this would deter further growth in leisure boaters.<sup>134</sup>

78. Second, users of the network expressed concern that not enough moorings and marinas existed to accommodate a significant increase in boating activity.<sup>135</sup> Long waiting lists currently exist for most marina sites in the UK, although BW has recently announced it will hold a trial in August 2007 whereby mooring allocation is determined by an internet and postal-based tendering system.<sup>136</sup> This announcement has attracted criticism from some elements of the boating community, who say the new system will only increase mooring prices.<sup>137</sup> We were also concerned to learn of BW’s policy towards those with shorter term mooring agreements (such as those at Sawley, in North West Leicestershire) who are being moved, against their will, to more distant moorings wholly inconvenient for the work-places or educational arrangements of families on residential narrow-boats. **We are disappointed that British Waterways (BW) did not inform us in evidence about the introduction of its trial tendering system for mooring allocation, and note the concerns of the boating community that the new system may further increase the cost of boating. We are concerned that the permanent introduction of such a system could make boating too exclusive.**

79. Third, witnesses representing the holiday hire-boat sector raised concerns that the unreliability of the condition of the network—caused by reductions in BW’s grant level—was the biggest constraint on the growth of their business.<sup>138</sup> Fourth, witnesses such as the

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129 Ev 272, para 5.1

130 Ev 296, para 7.1

131 Ev 70, para 5.3.2 [British Waterways]

132 Ev 271, para 2.4 [Louis Jankel]

133 Ev 318, para 4.1

134 Ev 29, para 15. See also Q 355 [Dr Paul Woollam].

135 Ev 291, para 6 [National Association of Boat Owners]; Ev 287, para 29 [Horseboating Society].

136 “Tendering of BW Long Term Mooring Vacancies—A 12 Month Trial”, British Waterways press release, 9 May 2007

137 “More for a mooring: capital canal dwellers face a rent rise”, *Time Out London*, 7 June 2007, p 10

138 Ev 296, paras. 7.4-7.7 [Shire Cruisers]; Q 382 [Richard Clements].

Institution for Civil Engineers told us that some areas of the network—so-called ‘honeypot’ sites, around Birmingham and the Black Country—were already too crowded to accommodate further growth in boating use.<sup>139</sup>

80. When asked about this, BW acknowledged that potential existed for further growth in leisure use of the network, and said it was “absolutely critical” to “maintain and ... hopefully grow” the number of boats on the waterways.<sup>140</sup> In particular, BW considered it “essential” that the holiday hire-boat industry maintained or increased growth because it was a significant source of license fee income and a ‘feeder stream’ for holiday-makers who later bought their own boat.<sup>141</sup> We asked BW about some of the potential constraints witnesses had told us about. In respect of marina capacity, BW said 10,000 marina berths were required by 2015 to meet expected demand.<sup>142</sup> Although BW believed it was the private sector’s responsibility to invest into marinas, BW had established a New Marinas Unit in March 2006 to assist private companies in doing this.<sup>143</sup> In respect of boaters’ concerns about increases in license and mooring fees, BW acknowledged that boat licence fees were indeed forecast to increase by 30% in real terms phase in over three years from April 2008, “as a direct result of the grant cuts”.<sup>144</sup> Possible future funding pressures could potentially hinder further growth in leisure boating use of the network, for example if the operation of bridges became more restricted.

## Our views

**81. We are concerned that inadequate maintenance of the waterways network could adversely affect the business of holiday hire-boat companies, cruise companies and others who depend on the network for a living. BW must ensure that the views of those companies are heard when it is prioritising its maintenance work responsibilities, particularly in the context of the current financial pressures and a possible shortfall in spending on ‘major works’ on the network during the CSR 07 years.**

**82. We also note boaters’ concerns that significant increases in licences and mooring fees could have an adverse impact on growth in leisure boating on the network. The boating community is already facing increasing costs because of the recent removal of the EU derogation covering the use of red diesel fuel for leisure boats, despite the Government’s opposition to such a move. We recommend licence and mooring fees should be kept at a level that maintains a high level of individual participation on the network.**

**83. In its response, BW should state its expectation of how many of the 10,000 new marina berths required by 2015 will be occupied by boat-residents.**

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139 Q 101 [Institution of Civil Engineers]. See also Q 30 [Inland Waterways Association].

140 Q 313

141 Q 325

142 Ev 114

143 Q 323; “Tendering of BW Long Term Mooring Vacancies—A 12 Month Trial”, British Waterways press release, 9 May 2007.

144 Ev 249, para 6

## 8 Potential for growth in freight use of the waterways network

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84. The canal network was primarily constructed for carrying goods. Today, however, less than 1% of domestic freight in England and Wales is transported via the waterway network, despite the significant environmental benefits of transferring freight from road (coastal and inland shipping emits 80% less carbon dioxide tonnes per kilometre than road haulage).<sup>145</sup> British Waterways (BW) has had some high-profile success in this field recently with the decision to build a new lock and water control structure on Prescott Channel in Bow, to enable the delivery of up to 7,000 tonnes of construction materials a day to the future Olympic site by water, which would allow approximately 140,000 lorry journeys to be taken off the road.<sup>146</sup> Beyond the Olympic project, however, BW has attracted criticism for its general lack of commitment to expanding freight use on the waterway, and it recently closed its central freight department.<sup>147</sup>

### How much potential?

85. Witnesses had mixed views about how much potential existed to increase freight use on the waterways network. The Inland Waterways Association told us that freight carriage on the waterways was “under-utilised and under-appreciated”.<sup>148</sup> The Institution of Civil Engineers said opportunities to expand freight transportation existed on certain waterways, such as the Sharpness, and on the rivers Lee and Thames.<sup>149</sup> We note that, in July 2007, Sainsbury’s held a successful trial to transport food to some of its stores by barge on the river Thames (although this is on waters owned by the Port of London Authority).<sup>150</sup> Some hoped the Olympics could be a catalyst for more general increase in freight transportation on the waterways.<sup>151</sup> Others, however, were less optimistic. Sir Adrian Stott said that most UK waterways were “simply too small to be economic” and that it was “unrealistic” to expect freight to return to being a major traffic, or source of revenue.<sup>152</sup> Ashby Canal Trust also noted that freight use would be limited to the larger waterways.<sup>153</sup> Some stressed that freight transportation would only be possible on the waterways when no double-handling was involved during the journey.<sup>154</sup>

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145 Ev 340, para 8.1 [Natural England]; Q 209 [Sea & Water].

146 “New Life for East End Rivers”, 28 February 2007, [www.britishwaterways.co.uk/newsroom](http://www.britishwaterways.co.uk/newsroom); Q 212 [Sea & Water].

147 Ev 270 [Louis Jankel]; Ev 56 [Sea & Water].

148 Ev 1, Executive Summary

149 Q 106

150 “Back to the future as Sainsbury’s trials food deliveries on the Thames”, J Sainsbury Plc press release, 10 July 2007.

151 Q 211 [Commercial Boat Operators’ Association]

152 Ev 125

153 Ev 329, para 3

154 Ev 67 [British Waterways]; Q 381 [Nicholas MacWhirter].

## BW's commitment to freight

86. *Waterways for Tomorrow* stated the Government's aim to encourage the transfer of freight from roads to water-borne transport, where practical.<sup>155</sup> In 2000, British Waterways made a commitment to double the amount of freight carried on water by 2010. Since that year, however, freight transportation on the waterways has, in fact, reduced from 4.3 million tonnes to 3.4 million tonnes in 2005.<sup>156</sup> Witnesses with interests in the freight sector were disappointed by BW's commitment to increasing freight transportation on its waterways. Sea & Water said that BW suffered from "conflicting priorities," with freight not considered as important as leisure and property. Sea & Water said this had worsened since the recent grant reductions, and that BW needed to "reaffirm its commitment to freight".<sup>157</sup> Similarly, the Commercial Boat Operators' Association (CBOA) was "not convinced that British Waterways has done enough to attract new freight to the waterways", despite earlier promises by the organisation.<sup>158</sup> Both criticised BW's decision to disband its central freight department; Sea & Water believed this would further "de-prioritise" freight within British Waterways.<sup>159</sup>

87. We questioned BW about its general commitment to increasing freight use. BW said two main problems existed in increasing freight use on the waterways. First, freight did not generate much revenue for BW: in fact, it "imposes costs ... over and above our current day to day operations" because of additional costs for dredging and manning locks. BW estimated that associated additional costs were well in excess of £1 million per annum, compared to income received of £700,000.<sup>160</sup> Second, BW believed a more pertinent reason for the lack of freight transportation was because it remained uneconomic for companies to make the move onto water. BW said companies required further financial incentives to transfer freight onto the waterways, despite the availability of Freight Facilities Grants:

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 of something like an emission tax or some other statutory subsidy to put freight back on to the water ... If there is way of finding a value which is ascribed to a transport company ... 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 ...<sup>161</sup>

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155 Department of the Environment, Transport and the Regions, *Waterways for Tomorrow*, June 2000, p 47

156 Answer to Written Parliamentary Question by Chris Huhne MP. HC Deb, 27 February, col 1183W. The Commercial Boat Operators told us that the main reason for the decline was the reduction in coal transported to Ferrybridge Power Station (Q 216).

157 Ev 57, para 18

158 Evs 59-60, paras 2.9 & 3

159 Ev 57, para 12 [Sea & Water]; Ev 59, para 2.9 [Commercial Boat Operators' Association]

160 Ev 72, para 7.7. CBOA told us it believed the £1 million figure was exaggerated (Ev 58, para 2.1).

161 Q 335; Qq. 344, 336

Other witnesses supported the idea of further financial incentives for companies. IWA believed “green taxes” should be used to encourage companies to make the switch onto water.<sup>162</sup>

88. BW has commissioned a study with economic consultants Oxera, expected to report in autumn 2007, which is intended to provide “the opportunity for a full and realistic public debate on the future of waterway freight and British Waterways’ role”.<sup>163</sup> Although Sea & Water and CBOA were involved in the consultation for the study, neither organisation was optimistic it would change anything.<sup>164</sup> Sea & Water said that some participants, including BW, believed the study’s outcome was “predetermined”.<sup>165</sup>

### Is British Waterways the most appropriate organisation for inland waterways freight responsibilities?

89. Some witnesses did not believe BW was the most appropriate organisation to be responsible for freight transportation issues. CBOA was “not satisfied” that the complete responsibility for British Waterways—“certainly for any transport function”—should rest with Defra.<sup>166</sup> Sea & Water said that “a shared ‘water transport unit’” to cover inland waterways and coastal shipping could be set up by Defra, the Department for Transport (DfT) and the Department for Communities and Local Government, so that BW would be “better placed to achieve a balance between all of its priorities, including freight”.<sup>167</sup>

90. The Transport Select Committee recently recommended in its Report on *The Ports Industry in England and Wales* that the DfT should take over responsibility for commercial inland waterways network.<sup>168</sup>

### Our views

91. There are significant environmental benefits to be gained from moving freight from roads onto the waterways, particularly in terms of carbon dioxide emission reduction. However, freight is neither one of BW’s nor Defra’s main areas of responsibility. We also note that BW’s commercial status discourages it from investing in expanding freight use because it does not make good business sense to do so. This creates a paradox for BW in that, on the one hand, it is being tasked by Government to become more financially self-sufficient and to generate more of its own income whilst, on the other hand, it is expected by Government to promote freight use on its waterways, in general an unprofitable activity.

**92. If the Government is serious about transferring more freight onto the waterways, companies themselves require further financial incentives to make this move, in**

162 Ev 4, para 51. See also Q 390 [Nicholas MacWhirter].

163 Ev 56, para 8 [Sea & Water]. Sea & Water cited BW board meeting minutes for its description of the Oxera review.

164 Q 225

165 Ev 56, para 8

166 Ev 59, para 2.6;

167 Ev 57, para 17

168 Transport Committee, Second Report of Session 2006–07, HC 61–I, para 68

addition to the existing Freight Facilities Grant. We recommend that the Government conduct a review to examine the possibility of introducing a carbon credit scheme to encourage more businesses to move onto the waterways.

93. Given the potential carbon savings to be derived from an increase in freight transportation on the waterways, we recommend that Defra form a joint industry/Government body fully to evaluate the opportunities that exist for freight and make recommendations as to where the responsibility for promoting the uptake of these opportunities should rest.

## 9 British Waterways' relationship with its users

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94. We heard mixed views about British Waterways' (BW) relationship with its users. Some users of the network were positive about the relationship. Boat owners Steve Davis and Paul Woollam said that they maintained "good and effective relations" with BW; Paul Woollam added that, in his experience, "most boaters" believed BW was making "significant progress towards improving the network".<sup>169</sup> Richard Clements, owner of two holiday-hotel boats on BW waters, also enjoyed a "constructive relationship" with BW management and staff, as did the Residential Boat Owners' Association.<sup>170</sup> The Association of Waterways Cruising Clubs told us that the creation of the British Waterways Advisory Forum (BAAF) had "greatly improved" BW's consultation processes with its users, a view shared by the British Marine Federation.<sup>171</sup> Sir Adrian Stott went further in stating that BW was now a "model organisation" in terms of consultation.<sup>172</sup>

95. A number of other boaters, however, were extremely critical about BW, particularly in respect of two issues. First, BW was said to communicate poorly with its users. Although generally supportive of BW, Paul Woollam believed that the organisation's communications were "not good".<sup>173</sup> Shire Cruisers described BW's communication with its industry about operational matters as "very poor", and blamed this on the recent grant reductions.<sup>174</sup> Other waterside businesses have also suggested BW's communications could be improved. The results of a survey of 825 waterside businesses in April 2006 showed that half thought BW dealt with them properly, with the majority noticing no improvement in service levels over the past two years.<sup>175</sup> Secondly, BW was criticised for not consulting properly—or at all—before making decisions, despite the existence of the BAAF. Paul Woollam said BW was "a long way behind the curve in stakeholder engagement".<sup>176</sup> The

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169 Q 355

170 Q 382; Ev 309.

171 Ev 298; Ev 28.

172 Ev 138, para 5

173 Q 365

174 Ev 294, para 4.2

175 "Initiative buoys up waterside business", *Daily Telegraph*, 10 April 2007, p 4. BW was reported as describing the findings as "less than satisfactory".

176 Q 365

Commercial Boat Operators Association told us that it had not been consulted about the closure of BW’s freight unit.<sup>177</sup> Other boaters criticised BW for insufficient consultation before making important business decisions, such as the closure of the Castle Mill boatyard in Oxford.<sup>178</sup>

96. BW described its relationships with waterway users as “generally good”, although it was keen to develop customer service.<sup>179</sup> It recognised the importance of the boating community to the waterways movement, and said the organisation went “out of our way to have close relationships with them”. When asked about its consultation processes, Robin Evans, the Chief Executive of BW, told us that BW worked hard to be “open and accountable” with its customers and users.<sup>180</sup> In the case of the closure of the central freight unit, he did not believe it had been necessary to consult because this was primarily an “operational issue” for BW.<sup>181</sup>

## Our views

97. British Waterways can not be expected to please everyone, but our inquiry showed that many users of the network—especially boaters—are critical of the way BW operates, particularly in relation to communication and consultation. The structure of BW’s consultative bodies is also somewhat confusing to outsiders and it is not always clear where real authority lies. **Whilst we acknowledge that recent moves—such as the creation of the BW Advisory Forum—are in the right direction, BW needs to do more to develop an effective direct relationship with the users of its network, particularly those who are significant ‘customers’ such as boat residents, operators and licence holders.**

# 10 British Waterways’ partnership working

## Partnership working

98. As part of its restoration and regeneration work, British Waterways (BW) is often required to work in partnership with local authorities, Regional Development Agencies (RDAs), private companies and the voluntary sector. We heard mixed evidence about how effective BW was in this regard. England’s RDAs said that, on the whole, the relationship “appears to be good”, although it could be improved through “greater strategic involvement at the regional level”.<sup>182</sup> Evidence from local authorities about relations with BW was mixed, with some critical of BW.<sup>183</sup> Waterways users said that the relationship between BW and local authorities could be “strained” at times.<sup>184</sup> During the course of our

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177 Q 218

178 Q 373 [Simon Robbins]; Q 374 [John Keyes]; Ev 342 [Jericho Community Boatyard]; Ev 384 [Oxford City Council]; Q 369 [Del Brenner]; Ev 346 [Murad Qureshi]

179 Ev 68, para 2.7

180 Q 353

181 Q 350

182 Ev 16, para 5

183 Ev 384; Ev 379.

184 Ev 139, para 58 [Simon Robbins]. See also Ev 285 [Horseboating Society]; Ev 309 [Residential Boat Owners’ Association].

inquiry, BW experienced problems in its partnership working with the Cotswold Canal restoration project after BW announced it was reluctant to carry the risk for the project, “with or without grant cuts”.<sup>185</sup> At the time of publication of this Report, BW remains “committed” to the project.<sup>186</sup>

99. We received evidence that suggested BW was not as transparent with partners as should be the case.<sup>187</sup> Sadly, this has sometimes led to disputes with partners over funding arrangements and technical specifications, and therefore in cost overruns and significant delays in the delivery of projects.

100. We were surprised to hear that BW “currently has no formal relationship” with the Local Government Association (LGA). BW believed such a relationship would be beneficial for a variety of reasons, such as helping to meet the demand for 10,000 additional marina berths in the next ten years and encouraging greater consistency in terms of the monies local authorities paid BW for towpath repair and maintenance work.<sup>188</sup> LGA also said it was “keen to develop a stronger relationship” with BW, for example to “establish areas of common interest and a shared approach to influencing and responding to relevant government policy” and to “promote good practice and closer working with individual local authorities”.<sup>189</sup>

### **Our views**

101. It is inevitable that there will be some variance in British Waterways’ (BW) partnership working from area to area. However, **BW has room for improvement in the way it works with others on projects. Given the complicated nature of partnership arrangements, it is vital that BW devote resources to developing mutual trust with other organisations in the public, private and voluntary sectors. It should also ensure that it employs good management at all levels who can demonstrate effective communication and listening skills. We support a closer formal relationship between BW and the Local Government Association (LGA) so that examples of best practice can be collated and promoted to those areas where the relationship between BW and local authorities can be improved.**

102. **Issues related to the waterways are of key importance to local authorities in many parts of England and Wales. We were therefore disappointed by the initial lack of evidence from local authorities to our inquiry, and the fact that we had to prompt the LGA for a submission.**

### **Expansion of the network**

103. One of British Waterways’ ambitions, set in 2002, is to create an “expanded” waterways network: since 2000, over 200 miles of derelict canals have been restored. The

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185 Ev 210, Annex C

186 “Cotswold Canals Restoration Update”, British Waterways press release, 11 June 2007

187 Q 365 [Dr Paul Woollam]

188 Ev 114

189 Ev 383

Inland Waterway Amenity Advisory Council (IWAAC) recently reported that about 90 waterway restoration and development projects are currently live in the UK.<sup>190</sup> IWAAC expressed concern, however, that these projects were threatened by BW's funding uncertainty, a view shared by other witnesses.<sup>191</sup> In evidence, BW told us that it did not have sufficient resources "to support widespread restoration" and that such projects had to be "driven locally".<sup>192</sup> BW told us its main role with these projects was often to bring partners together to create a funding package. However, BW itself faced the risk if the cost of a project exceeded that set out in the funding package. For this reason, BW was not able to support a large number of projects with risk because, if the cost of the project did exceed the funding package, BW would have less money to spend on the existing network.<sup>193</sup> This is what appears to have occurred with the Cotswold Canal project, where costs have exceeded initial expectations and a £11 million funding gap needs to be met.<sup>194</sup>

104. BW's Chief Executive told us that the 200 miles added to the network since 2000 had cost BW "considerably more money than the funding that was originally allocated to them". As a result, he had decided that BW would not take on further projects unless the organisation was "absolutely certain before we start that we know what the costs are and ... where our income is going to come from".<sup>195</sup>

### Our views

105. BW faces a paradox in that one of the organisation's ambition is to create an expanded network yet, in order to achieve this, it must divert scarce funds from the maintenance of the existing network. We strongly support the expansion of the existing waterways network, where possible. We accept, however, that restoration projects often come at a cost for BW, despite initial capital costs from lottery funds and from other sources, because the income generated from the canal network mile-for-mile rarely covers BW's costs of maintenance. Several current, and potential future, restoration projects—including the Cotswold Canal—are in jeopardy because BW can not afford to carry the risk associated with such projects. **Government itself often benefits from expansion of the network because of regeneration effects and the income generated through property development. Given these benefits, Government should make clear in its response its current position on the expansion of the network, and how it aims to address the real possibility that many projects will not get off the ground because of the funding pressures on BW.**

### BW's relationship with the Environment Agency

106. BW works with the Environment Agency (the Agency) on a number of levels:

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190 Inland Waterway Amenity Advisory Council, *Inland waterway restoration & development projects in England, Wales & Scotland*, December 2006, p 3

191 *Inland waterway restoration & development projects in England, Wales & Scotland*, p 3; Ev 118, para 4.12 [Steve Davis & Paul Woollam].

192 Q 331

193 Q 331

194 Q 534; Ev 209.

195 Q 535

- the Agency regulates a number of activities that British Waterways undertakes including fish movements, fisheries management and third party water abstraction from British Waterways' waters;
- the Agency works in partnership with British Waterways on navigation matters including waterways regeneration schemes and the Olympics;
- the Agency works with British Waterways to ensure it integrates waterway management with other uses such as water abstraction;
- British Waterways supports a number of the Agency's activities, including providing flood defence and engineering support.<sup>196</sup>

107. The Agency and British Waterways signed a collaboration agreement in 2000 to support better working between the two organisations. Since then, the Agency says the two have jointly developed a “wide range of initiatives”, and have held regular bi-lateral meetings.<sup>197</sup> In particular, the Agency says BW staff provide support “during flood emergencies”; the Agency warns that it will become “increasingly important” that the two organisations work together on flood risk management “as climate change affects UK weather patterns”.<sup>198</sup>

108. In June and July 2007, England and Wales experienced severe floods in various locations. In a press release, BW announced it was at “full stretch” dealing with the problems, by rescuing stranded people, digging channels to divert water and operating locks to send water through the system and out to rivers. During the June floods, all waterways in Yorkshire were closed to boat traffic.<sup>199</sup>

### **Our views**

109. Severe flooding is likely to become an increasing occurrence owing to the effects of climate change. Canals can sometimes act as important flood relief mechanisms and BW staff may consequently find themselves increasingly engaged in such ‘extraordinary’ activities as occurred during the June and July 2007 floods. In this context, it is crucial that communication and partnership working between BW and the Environment Agency is of an extremely high standard. **In its response, BW should set out its current strategy for flood risk management and for responding to flood emergencies, and say how it expects this role to develop in the future. We call upon Government to ensure that its independent review of the 2007 floods fully takes into account the role of BW and its waterways network in the future strategy for flood risk management and emergency flood response.**

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<sup>196</sup> Ev 36, para 1.2

<sup>197</sup> Ev 37, para 2.1

<sup>198</sup> Ev 37, para 2.4

<sup>199</sup> “British Waterways Working Hard to Alleviate Problems”, British Waterways press release, 28 June 2007

## 11 British Waterways' relationship with Government

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110. Perhaps the most striking issue that arose from our inquiry related to the current state of the relationship between British Waterways (BW) and its sponsor Government department in England and Wales, Defra. Evidence received in the early stages of the inquiry had already suggested that the relationship between the two organisations was strained. Save Our Waterways (SOW), for example, was “extremely concerned” at the relationship because the “restrained nature of press releases issued by British Waterways suggests that they are unable to voice their true concerns about the [grant] cuts”.<sup>200</sup>

111. Concerns about the tense state of this relationship were confirmed during the course of our inquiry. On two occasions Barry Gardiner MP, the Minister for Biodiversity, Landscape and Rural Affairs, strongly criticised the actions of senior British Waterways management. The first was when the Minister gave evidence to us on 23 April 2007; the second was in a letter the Minister sent the Chair of BW on 10 June 2007 following media reports that BW could be privatised.

### Minister's criticisms in evidence, 23 April 2007

112. In the evidence session on 23 April 2007, the Minister criticised BW on a number of grounds, and repeated some of these criticisms in a Westminster Hall debate two days later. His criticisms included: BW had failed to respond to Departmental requests for information in good time; BW had lacked transparency about the reasons for postponing its target date to remove arrears; and BW had lacked transparency about its financial projections. We briefly cover each of these below, including BW's response.

#### *Failure to respond quickly to Department's requests*

113. The Minister told us that he had been asking BW for “many months” for specific financial information and projections relating to BW's plans to achieve ‘steady state’ status; information he received only three days before the evidence session.<sup>201</sup> Although the Minister acknowledged that BW had previously provided information in response to the Department's requests, this had “never been adequate”.<sup>202</sup> Consequently, the Minister had to “apply greater and greater stridency” in his approach to obtain the information.<sup>203</sup> He made similar comments in the Westminster Hall debate of 25 April:

What caused me concern was that I had waited for information for as long as I had. It should have been made available earlier, both to me and stakeholders.<sup>204</sup>

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200 Ev 319, para 5

201 Q 429, Q 432, Q 433.

202 Q 455

203 Q 455; Q 452

204 HC Deb, col 293WH

114. BW, however, provided a different version of the events. It said:

The Minister wanted a very specific [financial] comparison with our 2002 10 year plan. His detailed request for this was made on 16 April 2007 and BW provided this information on 20 April 2007 in the Chairman’s letter to the Minister.<sup>205</sup>

BW added that the only previous request for this information from a senior civil servant was on 6 March 2007, and this had been provided to the Department just over a month later.<sup>206</sup>

115. The Minister told us that he would provide “a full trail of correspondence available”, including “notes, where they exist, of telephone conversations”.<sup>207</sup> We subsequently received a number of pieces of correspondence between BW and Defra from late 2006 and early 2007, including some extracts of minutes at meetings.<sup>208</sup> However, we were not provided with any notes of official telephone conversations. The correspondence we received reinforces BW’s story that the information requested was provided: it does not provide evidence to support the claim that the Minister had been waiting for information for “many months”.

### ***Information relating to BW’s 2012 Arrears target date***

116. The Minister said that the correspondence from BW provided new information relating to BW’s decision to postpone its target to remove its arrears from 2012 to 2016. He said that BW’s letter acknowledged, for the “first time” publicly, that there were many factors that led to the target date being missed, whereas previously BW had been emphasising funding factors for this decision. The Minister said that the letter showed the main reason for the postponement of the target was, in fact, a “mistake in their modelling”, because BW had failed to include thousands of non-principal assets in its original plan of the network.<sup>209</sup>

117. When asked about the Minister’s comments, BW’s Chief Executive told us he was “very disappointed” to read the Minister’s “clear lack of understanding of what we had done, and what we are doing”.<sup>210</sup> BW told us:

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. ... Documented discussion of these issues with the Department goes back at least to 22 June 2006.<sup>211</sup>

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205 Ev 243, Overview

206 On 11 April 2007. Ev 244, para 1

207 Q 456

208 Ev 214

209 Q 439

210 Q 481

211 Ev 243, overview

118. Correspondence we received between BW and Defra supports BW's claims that information relating to the postponement of the 2012 arrears target date, and the reasons for postponing the date, were provided to the Department on several occasions from June 2006 onwards.<sup>212</sup> When we asked BW why the Minister had therefore been confused about issues surrounding the 2012 arrears target, BW's Chief Executive said he did not know, but suggested that the Minister was "probably struggling to find someone to interpret the wealth of information that we had given within the department".<sup>213</sup> We were told that many of BW's usual civil servant contacts in the Department—who 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"—had recently been transferred elsewhere, and "that knowledge probably may have gone with them".<sup>214</sup> BW recognised, however, that the concepts and business terms used in its correspondence were "complex" and that it must "clearly renew our efforts to explain them to the Department".<sup>215</sup>

### **Financial projections**

119. The Minister said that new financial figures he had received from BW showed BW would receive £30.1 million more income by 2012 than it had forecast in 2002, even with a RPI -5% settlement for the Comprehensive Spending Review 2007 period.<sup>216</sup> In response, BW said that the Minister's interpretation was not helpful because much of this additional income had been earned in the past, and already spent in that period. We covered this issue in more detail in our chapter on 'Funding levels in the Comprehensive Spending Review 2007 period' (see paras. 33–43).

### **Minister's letter to BW Chairman, 10 June 2006**

120. In the aftermath of the Minister's comments, both the Minister and BW stressed that efforts were being made to improve the relationship. The Minister told us that, since the evidence session, he had met with the Chair of BW on two occasions, and both organisations were "jointly committed to improving the flow of information between BW and my department".<sup>217</sup>

121. By June 2007, however, it was clear that the relationship between the Department and BW was still poor. Following newspaper reports that Government was considering the privatisation of BW, the Minister sent a letter to the Chair of BW, which he then provided to us.<sup>218</sup> In the letter, the Minister criticised BW for including privatisation—despite specific instructions not to—in the strategic options review brief that it had sent out to business consultants, which was subsequently leaked to the media (see paras. 66–69). The Minister opened the letter by saying:

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212 Ev 214. BW provides a list of those occasions it informed Defra about these changes in BW 11d [Ev 243].

213 Q 503

214 Q 483

215 Q 448

216 Q 432

217 Ev 215

218 Ev 242

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.<sup>219</sup>

It also stated:

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.<sup>220</sup>

## Our views

122. We were extremely surprised when, giving evidence to us, the Minister criticised British Waterways (BW) on several points, including a lack of transparency and not providing requested information for “many months”. The correspondence we received between the Department and BW supports BW's claims that it did inform the Department about changes to its business plans and its 2012 arrears target as early as July 2006. We have some sympathy with the Minister, however, that BW could have explained these issues more clearly, particularly the reasons for postponing its 2012 target date. **Communication between Defra and BW must be improved. BW relies on Government for much of its funding, and therefore has a responsibility to ensure important business decisions and complex terms, concepts and models are explained clearly to its sponsor Department. The Department must also ensure those officials who deal with BW on a regular basis have a thorough understanding of these concepts, so they can brief ministers accordingly.**

123. The tone and language used in the Minister's letter to BW on 10 June 2007 reaffirm recent problems in this relationship, despite prior announcements from both sides that things were improving. We acknowledge this is already an exceptionally tense period in the context of the recent grant reductions, ongoing negotiations about grant levels in the CSR 07 period and high-profile lobbying by the waterways movement. However, the Minister's outbursts are not indicative of a healthy and open relationship between sponsor department and dependent body. **A new minister is now in charge of BW; we believe this is the perfect opportunity for a fresh start in the relationship between the Department and BW. They must now both work to improve relations in the final negotiating period of the CSR process and beyond.**

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219 Ev 242 [Defra]

220 Ev 242

## Conclusions and recommendations

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1. The waterways network is a public asset, and Government has a responsibility to keep the network in good order. We therefore commend the commitment of Government, British Waterways and individuals over the past decade in improving the waterways network, and their success in doing so. Vibrant and flourishing canals and rivers provide significant economic, environmental and social benefits. Government should carry out a study to determine the full social benefit of the waterways network as a basis upon which to make future funding and strategic decisions. (Paragraph 18)
2. We acknowledge the difficulties British Waterways (BW) has faced in the last two years in having to cope with lower-than-expected grant levels. The 2006–07 in-year budget cut was particularly disruptive because BW had already committed resource to a series of projects. We have previously criticised the Department in our Report on *Defra's Departmental Report 2006 and Defra's budget* for not providing sufficient certainty to its delivery bodies about grant reductions. The Department should have recognised the particular disruption an in-year budgetary cut would have caused to BW, and should have looked at other ways to bring its budget into balance. We commend BW for adapting to these financial pressures at short notice. (Paragraph 23)
3. we are extremely concerned at BW's forecasts of the impact of a RPI -5% settlement on the maintenance of its waterways network. (Paragraph 40)
4. We would welcome the National Audit Office's (NAO) view on the correct interpretation of the conflicting accounts given by the Department and BW about BW's finances between 2002 and 2012, taking into account whether BW's forecast income streams from a variety of sources—property, Government grant or elsewhere—are sufficient to maintain the network during the coming years. We recognise that the NAO has no audit access rights to BW and thus the NAO's work would need to be on the basis of a review of papers held by the Department and of seeking the views of British Waterways, as appropriate. (Paragraph 42)
5. The most important outcome from the CSR 07 negotiations must be to secure the future stability of the waterways network; something that the Government and BW both desire. We trust that BW and Defra will put their recent disagreements aside and work together closely to agree a CSR 07 outcome that ensures this stability. We expect Defra to consider carefully BW's claim that additional capital funding will be necessary for each year of the CSR 07 period if its grant settlement continues to reduce in real terms. (Paragraph 43)
6. We recommend the Department for Culture, Media and Sport look favourably on introducing methods by which the Waterways Trust could adopt a free-entry policy to the National Waterways Museum—common with some other national museums—and thus increase visitor numbers to provide greater security for the care of the national assets which are its responsibility. (Paragraph 45)

7. We agree with BW senior management that it is healthy for the organisation to aim to lessen its dependency on Government in the long-term. If BW is to keep its ambition to become “largely self-sufficient”, both Government and BW need to provide much more detail about what exactly this means in practice. They must also produce a detailed plan about how it can be achieved. Government should make it clear that it recognises the waterways network as a public asset and that it has a national responsibility to ensure the network is kept in good order. It must also recognise that income from property development is finite and may not always be available to compensate for further reductions in Government support. (Paragraph 51)
8. We recommend that Government fully support, and provide assistance to, BW to ensure that it achieves its ambitions to operate on waterways other than those it owns or manages. Government should also grant BW an increased borrowing capability. We also confirm that there is a strong case for providing BW with income gained from planning obligations under Section 106 of the Town and Country Planning Act—or from planning gain supplement, if introduced by Government—in respect of the increase in property prices realisable from waterside developments. (Paragraph 62)
9. We fully support BW’s desire for a longer-term funding contract with Government to provide greater stability to the waterways network, and remind Government that this was recommended in the Policy Review of 2004–05. Government should ensure such a contract is agreed sooner rather than later. (Paragraph 63)
10. We conclude that there is a strong case for other Government departments—such as Culture, Media and Sport, Transport and Communities and Local Government—to make a direct contribution to BW’s funding, to reflect the contribution BW makes to the agendas of those departments. We recommend that Government prepare proposals to ensure this is achieved, as part of the next CSR review. (Paragraph 65)
11. We welcome BW’s confirmation that privatisation is not a serious option for BW’s future structure, and we strongly share this view. The waterways network is a public asset providing wide benefits to society and thus some Government funding will always be necessary. In its response to this Report, Government should rule out privatisation as an option for the waterways network, and make clear its reasons for so doing. However, as part of the Government response, BW should state why privatisation was included in its strategic options brief in the first place. It should also present to this Committee the financial analysis which confirmed privatisation as an option. (Paragraph 69)
12. We recommend that BW develop an environmental heritage strategy for the waterways, in tandem with the Waterways Trust. This should involve all interested parties, and could be orchestrated through the British Waterways Advisory Forum. (Paragraph 74)
13. We are disappointed that British Waterways (BW) did not inform us in evidence about the introduction of its trial tendering system for mooring allocation, and note the concerns of the boating community that the new system may further increase the

cost of boating. We are concerned that the permanent introduction of such a system could make boating too exclusive. (Paragraph 78)

14. We are concerned that inadequate maintenance of the waterways network could adversely affect the business of holiday hire-boat companies, cruise companies and others who depend on the network for a living. BW must ensure that the views of those companies are heard when it is prioritising its maintenance work responsibilities, particularly in the context of the current financial pressures and a possible shortfall in spending on ‘major works’ on the network during the CSR 07 years. (Paragraph 81)
15. We also note boaters’ concerns that significant increases in licences and mooring fees could have an adverse impact on growth in leisure boating on the network. The boating community is already facing increasing costs because of the recent removal of the EU derogation covering the use of red diesel fuel for leisure boats, despite the Government’s opposition to such a move. We recommend licence and mooring fees should be kept at a level that maintains a high level of individual participation on the network. (Paragraph 82)
16. In its response, BW should state its expectation of how many of the 10,000 new marina berths required by 2015 will be occupied by boat-residents. (Paragraph 83)
17. If the Government is serious about transferring more freight onto the waterways, companies themselves require further financial incentives to make this move, in addition to the existing Freight Facilities Grant. We recommend that the Government conduct a review to examine the possibility of introducing a carbon credit scheme to encourage more businesses to move onto the waterways. (Paragraph 92)
18. Given the potential carbon savings to be derived from an increase in freight transportation on the waterways, we recommend that Defra form a joint industry/Government body fully to evaluate the opportunities that exist for freight and make recommendations as to where the responsibility for promoting the uptake of these opportunities should rest. (Paragraph 93)
19. Whilst we acknowledge that recent moves—such as the creation of the BW Advisory Forum—are in the right direction, BW needs to do more to develop an effective direct relationship with the users of its network, particularly those who are significant ‘customers’ such as boat residents, operators and licence holders. (Paragraph 97)
20. BW has room for improvement in the way it works with others on projects. Given the complicated nature of partnership arrangements, it is vital that BW devote resources to developing mutual trust with other organisations in the public, private and voluntary sectors. It should also ensure that it employs good management at all levels who can demonstrate effective communication and listening skills. We support a closer formal relationship between BW and the Local Government Association (LGA) so that examples of best practice can be collated and promoted to those areas where the relationship between BW and local authorities can be improved. (Paragraph 101)

21. Issues related to the waterways are of key importance to local authorities in many parts of England and Wales. We were therefore disappointed by the initial lack of evidence from local authorities to our inquiry, and the fact that we had to prompt the LGA for a submission. (Paragraph 102)
22. Government itself often benefits from expansion of the network because of regeneration effects and the income generated through property development. Given these benefits, Government should make clear in its response its current position on the expansion of the network, and how it aims to address the real possibility that many projects will not get off the ground because of the funding pressures on BW. (Paragraph 105)
23. In its response, BW should set out its current strategy for flood risk management and for responding to flood emergencies, and say how it expects this role to develop in the future. We call upon Government to ensure that its independent review of the 2007 floods fully takes into account the role of BW and its waterways network in the future strategy for flood risk management and emergency flood response. (Paragraph 109)
24. Communication between Defra and BW must be improved. BW relies on Government for much of its funding, and therefore has a responsibility to ensure important business decisions and complex terms, concepts and models are explained clearly to its sponsor Department. The Department must also ensure those officials who deal with BW on a regular basis have a thorough understanding of these concepts, so they can brief ministers accordingly. (Paragraph 122)
25. A new minister is now in charge of BW; we believe this is the perfect opportunity for a fresh start in the relationship between the Department and BW. They must now both work to improve relations in the final negotiating period of the CSR process and beyond. (Paragraph 123)

## Formal minutes

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**Monday 23 July 2007**

Members present:

Mr Michael Jack, in the Chair

Mr Geoffrey Cox  
Mr David Drew  
Mr James Gray  
Lynne Jones

Mr Dan Rogerson  
Sir Peter Soulsby  
David Taylor

Draft Report (*British Waterways*), proposed by Mr Drew, brought up and read.

*Ordered*, That the draft Report be read a second time, paragraph by paragraph.

Paragraphs 1 to 123 read and agreed to.

Summary agreed to.

*Resolved*, That the Report be the Seventh Report of the Committee to the House.

*Ordered*, That the Chairman do make the Report to the House.

*Ordered*, That embargoed copies of the Report be made available, in accordance with the provisions of Standing Order No.134.

Several papers were ordered to be appended to the Minutes of Evidence.

*Ordered*, That the Appendices to the Minutes of Evidence taken before the Committee be reported to the House.

Several papers were ordered to be reported to the House.

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[Adjourned till Wednesday 10 October at a quarter-past Four o'clock.]

# Witnesses

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<b>Mr John Fletcher</b> , National Chairman, <b>Mr Neil Edwards</b> , Chief Executive, and <b>Dr Roger Squires</b> , Chairman of Navigational Committee, Inland Waterways Association	Ev 5
<b>Mr Chris Foley</b> , Head of Operations for Gloucestershire, South West RDA, and <b>Mr Steve Holland</b> , Head of Asset Management, England's Regional Development Agencies	Ev 17
<b>Mr Bill Schlegel</b> , Chairman of the Maritime Board, Institution of Civil Engineers	Ev 22
<b>Monday 5 March 2007</b>	
<b>Mr Howard Pridding</b> , Executive Director, British Marine Federation	Ev 31
<b>Dr David King</b> , Director of Water Management, and <b>Ms Julia Simpson</b> , Head of Recreation and Navigation, Environment Agency	Ev 38
<b>Mr John Edmonds</b> , Chairman, and <b>Mr Derek Gowling</b> , Policy Manager, Inland Waterways Amenity Advisory Council	Ev 47
<b>Monday 12 March 2007</b>	
<b>Mr Gavin Devine</b> , Director, and <b>Dr Heather Leggate</b> , Director, Sea and Water, <b>Mr John Dodwell</b> , Chair, and <b>Mr Tim West</b> , Parliamentary and Local Government Liaison, Commercial Boat Operators Association	Ev 60
<b>Mr Robin Evans</b> , Chief Executive, <b>Mr Tony Hales</b> , Chairman, and <b>Mr Jim Stirling</b> , Technical Director, British Waterways	Ev 100
<b>Monday 16 April 2007</b>	
<b>Mr Steve Davis</b> , <b>Dr Paul Woollam</b> and <b>Sir Adrian Stott Bt</b>	Ev 128
<b>Mr Simon Robbins</b> , <b>Mr Del Brenner</b> and <b>Mr John Keyes</b>	Ev 145
<b>Mr Nicholas MacWhirter</b> , <b>Mr Richard Clements</b> and <b>Ms Cathy Cooke</b>	Ev 165
<b>Mr Roger Hanbury</b> , Chief Executive, and <b>Mr Alan Lutman</b> , Director of Finance, The Waterways Trust	Ev 174

**Monday 23 April 2007****Page**

<b>Mr Bob Laxton MP</b> , Chair, and <b>Lynda Waltho MP</b> , Treasurer, Parliamentary Waterways Group	Ev 181
<b>Barry Gardiner MP</b> , Parliamentary Under-Secretary (Biodiversity, Landscape and Rural Affairs), Department for Environment, Food and Rural Affairs	Ev 200

**Tuesday 8 May 2007**

<b>Mr Robin Evans</b> , Chief Executive, <b>Mr Tony Hales</b> , Chairman, and <b>Mr Jim Stirling</b> , Technical Director, British Waterways	Ev 256
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Wyvern Shipping Company Ltd	Ev 360

## List of unprinted evidence

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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)

## Reports from the Committee since 2003

*(Government Responses to Committee Reports appear in brackets)*

### Session 2006–07

Sixth Report	The Implementation of the Environmental Liability Directive	HC 694
Fifth Report	Draft Climate Change Bill	HC 534-I
Fourth Report	The UK Government's "Vision for the Common Agricultural Policy"	HC 546-I
Third Report	The Rural Payments Agency and the implementation of the Single Payment Scheme	HC 107-I (HC 956)
Second Report	Defra's Annual Report 2006 and Defra's budget	HC 132 (HC 522)
First Report	The work of the Committee in 2005–06	HC 213

### Session 2005–06

Eighth Report	Climate change: the role of bioenergy	HC 965-I (HC 131 06–07)
Seventh Report	The Environment Agency	HC 780-I (HC 1519)
Sixth Report	Bovine TB: badger culling	HC 905-I
Fifth Report	Rural Payments Agency: interim report	HC 840
Fourth Report	The Departmental Annual Report 2005	HC 693-I (HC 966)
Third Report	The Animal Welfare Bill	HC 683
Second Report	Reform of the EU Sugar Regime	HC 585-I (HC 927)
First Report	The future for UK fishing: Government Response	HC 532

### Session 2004–05

Ninth Report	Climate Change: looking forward	HC 130-I (HC 533 05–06)
Eighth Report	Progress on the use of pesticides: the Voluntary Initiative	HC 258 (HC 534 05–06)
Seventh Report	Food information	HC 469 (HC 437 05–06)
Sixth Report	The future of UK fishing	HC 122 (HC 532 05–06)
Fifth Report	The Government's Rural Strategy and the draft Natural Environment and Rural Communities Bill	HC 408-I (Cm 6574)
Fourth Report	Waste policy and the Landfill Directive	HC 102 (Cm 6618)
Third Report	The Work of the Committee in 2004	HC 281
Second Report	Dismantling Defunct Ships in the UK: Government Reply	HC 257
First Report	The draft Animal Welfare Bill	HC 52-I (HC 385)

### Session 2003–04

Nineteenth Report	Water Pricing: follow-up	HC 1186 (HC 490 04–05)
Eighteenth Report	Dismantling of Defunct Ships in the UK	HC 834 (HC 257 04–05)
Seventeenth Report	Agriculture and EU Enlargement	HC 421 (HC 221 04–05)
Sixteenth Report	Climate Change, Water Security and Flooding	HC 558 (HC 101 04–05)
Fifteenth Report	The Departmental Annual Report 2004	HC 707 (HC 100 04–05)
Fourteenth Report	Sites of Special Scientific Interest	HC 475 (HC 1255)
Thirteenth Report	Bovine TB	HC 638 (HC 1130)
Twelfth Report	Reform of the Sugar Regime	HC 550-I (HC 1129)

Eleventh Report	GM Planting Regime	HC 607 (HC 1128)
Tenth Report	Marine Environment: Government reply	HC 706
Ninth Report	Milk Pricing in the United Kingdom	HC 335 (HC 1036)
Eighth Report	Gangmasters (follow up)	HC 455 (HC 1035)
Seventh Report	Implementation of CAP Reform in the UK	HC 226-I (HC 916)
Sixth Report	Marine Environment	HC 76 (HC 706)
Fifth Report	The Food Standards Agency and Shellfish	HC 248 (HC 601)
Fourth Report	Environmental Directives	HC 103 (HC 557)
Third Report	Caught in the net: Cetacean by-catch of dolphins and porpoises off the UK coast	HC 88 (HC 540)
Second Report	Annual Report of the Committee 2003	HC 225
First Report	Water Pricing	HC 121 (HC 420)