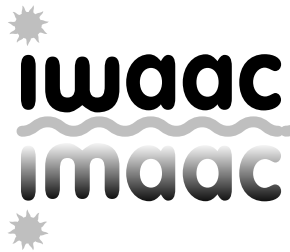




INLAND WATERWAYS  
AMENITY ADVISORY COUNCIL

## **The benefits of sustainable waterways: British Waterways since 1996**

May 2003



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**Inland Waterways Amenity Advisory Council**

City Road Lock  
38 Graham Street  
London  
N1 8JX

**Telephone** 020 7253 1745

**Fax** 020 7490 7656

**Email** [iwaac@btinternet.com](mailto:iwaac@btinternet.com)

[www.iwaac.org.uk](http://www.iwaac.org.uk)

**Chairman** The Viscountess Knollys DL

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for a copy.

# Contents

<b>1</b>	<b>Introduction and key conclusions</b> .....	<b>5</b>
<b>2</b>	<b>Unsustainable waterways: British Waterways in 1996</b> .....	<b>8</b>
<b>3</b>	<b>The Council's 1996/97 responses</b> .....	<b>9</b>
<b>4</b>	<b>British Waterways since 1996: towards sustainable waterways</b> .....	<b>10</b>
	Overall achievement since 1996 .....	10
	New contexts.....	10
	Positive responses to devolution.....	10
	The transformation of direct and third-party income .....	11
	Securing the waterways asset.....	11
	More focused attitudes to users and customers ....	12
	An authoritative leadership role in UK navigation..	12
<b>5</b>	<b>More to be done: future challenges and priorities</b> .....	<b>14</b>
A	UK government agendas .....	14
	Urban regeneration and 'quality of life' .....	14
	Rural revitalisation .....	14
	Voluntary sector contribution to the waterways .....	15
	Sustainable waterways management.....	16
B	Scotland, Wales and Regional Development Agencies (and any future regional authorities) in England.....	18
	Scotland .....	18
	Wales .....	18
	England .....	19
C	Local Authorities .....	19
D	Improved management of the waterways system as a whole .....	20
E	Improved customer focus in the leisure market	21
F	Improved financial sustainability.....	21
	Future DEFRA grant-in-aid .....	22

# 1 Introduction

In 1994 the Council, following its new strategic remit from Government, embarked on a comprehensive review of the waterway scene. The work led in 1996 to the publication of the report ***Britain's Inland Waterways: An Undervalued Asset***, to a round of consultation including a major conference on its conclusions and recommendations and, in 1997, to the submission of ten ***Final Recommendations*** to Government.

The report was the first national review of the inland waterways for many years, predating by four years DEFRA's policy report for England and Wales ***Waterways for Tomorrow***, which included a response to the Council's recommendations.

At the Government's request the Council plans to submit later this year a report on the progress made in implementing the policies set out in *Waterways for Tomorrow*.

Alongside this, British Waterways (BW), the country's largest navigation authority, has invited the Council to review its progress since *Undervalued Asset*, to assess what has been accomplished and what is still outstanding and to suggest for its consideration future directions for the management of the waterways.

Therefore this report focuses on British Waterways but takes a view on strategic issues where relevant.

The Council wishes to place on record its appreciation of the help and advice received from senior British Waterways' staff, other navigation authorities, DEFRA staff and other external stakeholders, in the preparation of this report.

## Key conclusions

1 In *An Undervalued Asset*, the Council sought to shift attitudes to the inland waterways from a narrow focus on operating and maintaining the navigation track to one of pursuing the benefits waterways can offer to the corridors within which they lie and to the communities and businesses within these corridors. This shift was to be achieved by getting them recognised as a national asset and protected, managed, used, funded and developed so as to put them at the heart of the country's economic, social and cultural life. This was, and remains, the Council's vision for the waterways. The Council commends it to all navigation authorities.

2 Since 1996, British Waterways has made considerable and welcome progress in conserving, upgrading and developing its waterways. Particularly noteworthy have been the achievements in generating commercial income and third-party income so significantly enhancing the value of the annual Government grant, responding to devolution first in Scotland and more recently in Wales, maintaining and improving the waterway track, offering a more customer-focused service to users and raising the profile of its own and other waterways. BW is to be commended for all its achievements so far. Nonetheless, a great deal still remains to be done to achieve the Council's full vision for the waterways.

3 The following steps are necessary to integrate the waterways more closely into the agendas of the UK government:

- if recent achievements in waterway-linked urban regeneration are to be maintained, and opportunities for revitalisation on and around rural waterways exploited, navigation authorities will require the active support of the UK government, its regional offices, and national development agencies such as English Partnerships, as well as individual local authorities;
  - the huge potential of the community/voluntary sector to contribute more and give increased value to the waterways has barely been tapped. New initiatives by all concerned are needed. The Council looks to BW, possibly in association with The Waterways Trust, for early progress on finding ways to expand the effective use of volunteers and to the Trust to find ways to become more of a pan-waterway focus for community/voluntary effort;
- in developing the four UK government sustainability principles, BW needs to aim for international standards of stewardship of the fabric, heritage and environment of its waterways, be more targeted in outreach initiatives to the excluded and be frank and open about the sustainability indicators it is using and about how it is working towards optimal sustainability.
- 4 In respect of Scotland, Wales and regional agendas in England
- BW Scottish waterways, for technical and financial reasons, should remain an integrated part of the BW national system;
  - extra public resources from the Scottish Executive, its executive agencies and relevant local authorities, need to be mobilised to develop the Scottish waterways and in particular to exploit for economic and regeneration purposes the large investment already made in restoring the Lowland Canals. BW should explore with the Executive the potential for additional contract funding to secure these benefits;
  - in Wales, the Assembly needs to be actively mobilising the resources of its development agencies and local authorities, in partnership with BW and other navigation authorities, to achieve the revitalisation of the Welsh waterways. In the case of the restoration of the cross-border Montgomery Canal, close co-operation between the Welsh and English authorities will be necessary;
  - in England, BW should be proactive in engaging each relevant RDA in the preparation of specific regional waterway development strategies.
- 5 The closer integration of waterways into all the various agendas of local authorities, and their political support for larger cross-boundary projects, is essential if mutually beneficial projects are to be realised.

6 In order to achieve better value from the national waterways system:

- further co-operation between BW and the EA in the management of the two largest navigation systems, particularly in terms of integrated licensing arrangements and the sharing of good practice with the smaller navigations, should be pursued;
- DEFRA should monitor and review in the next Finance Management Policy Review the EA's performance against the navigation and regeneration targets it has set for the Agency;
- DEFRA and the Scottish Executive should implement the undertaking to review waterway legislation with the aim of agreeing any changes to powers and duties needed for modern waterway management and development, for the effective conservation of the historic system and to protect the interests of users and consumers. This review should include the Council's terms of reference and related matters.

7 BW should continue to build on its progress in developing more customer-focused services, promoting new users and customers while nurturing existing stakeholder businesses and clients.

8 In respect of improving financial sustainability:

- BW's business approach of developing multiple activities and uses on and around its waterways, finding and developing innovative new business opportunities, and levering in investment from sources other than traditional waterway sources and DEFRA/Scottish Executive grant, is fundamentally sound and as long as it respects the integrity of the waterways, their heritage and environment, should continue;
- To facilitate the integrated management of the BW non-operational estate in the long term interest of the waterways, the BW property portfolio should remain under BW control;
- Current efforts to expand the leisure markets for the waterways and to provide quality facilities/attractions for which customers will be willing to pay should continue as fast as

resources permit subject to BW obtaining the best available advice on what it seeks to provide, careful market research into competitive and affordable charging and to the fundamental need to respect the heritage and environment of the waterways;

- Governments in London and Edinburgh should support BW in seeking the widest possible sources of funding for all the diverse non-statutory functions that it performs, including further waterway restoration, by keeping under review relevant funding regimes, policies and programmes;
- Future DEFRA and Scottish Executive grant to BW should be set at a level to permit BW to meet its target dates for eliminating the maintenance backlog, upgrade the waterways it manages, and so generate the economic and social benefits of which the waterways are clearly capable;
- The 1999 BW Framework and Financial Memorandum should be kept under joint review by both Governments and BW to explore what additional financial freedoms, consistent with public accountability, are possible.

## 2 Unsustainable waterways: British Waterways in 1996

2.1 When the Council published *An Undervalued Asset* for consultation in 1996, BW had been, for a decade, engaged in a programme of change to meet objectives set by Government as far back as 1984.

2.2 These objectives required a commercial approach, private sector involvement, costs and grant reductions and pressures on users to pay more towards maintenance and services. BW had responded by turning itself from a backward-looking organisation into a decentralised, more dynamic, commercially-oriented business, focused on leisure (although with freight use wherever possible), maximising waterway use and on developing income from its non-operational estate via joint ventures and property sales.

2.3 Lower costs had been duly delivered, along with a doubling of self-generated income, some expenditure on the arrears of maintenance and some limited improvement to the quality of the heritage and environment of its waterways.

2.4 Overshadowing all these achievements, however, were the extensive liabilities arising from an inherited maintenance backlog. This backlog was increasing, inadequately controlled, apparently insoluble and urgently in need of proper assessment and prioritisation.

2.5 With further growth in self-generated income far from assured, BW was over-reliant on Government grant and constrained by its interpretation of the 1962 and 1968 Transport Acts legislation. When breaches occurred, or when major problems, such as the locks on the Caledonian Canal, were identified, BW had perforce to divert resources from elsewhere or attempt to obtain emergency funding from Government.

2.6 BW's Annual Report for 1995-96 contained these words from the then Chairman:

*"The Board is seriously concerned that British Waterways' total income will now be inadequate and the safety and integrity of the network will therefore be put at risk. This is unacceptable, and not in the interests of the taxpayers or the nine million people who regularly use the waterways each year."*

2.7 The background to this stark warning was a further cut in BW's grant from Government the previous year. This cut had come on top of reductions in real terms in the level of grant since the late 1980s.

2.8 The maintenance backlog was the main but not the only issue. The system had to be continually adapted to meet modern needs, in particular the growing leisure and recreation uses demanded of it. Rising conservation standards, both for the built heritage and the natural environment of the waterways, had to be met. Self-generated income had to be increased and operations made more efficient if reliance on Government grant was to be significantly reduced (or if further cuts in grant were not to undermine what had already been achieved). It appeared that BW had neither the means nor the prospect of sufficient resources to secure these aims. Its waterways were not sustainable.

### 3 The Council's 1996/97 responses

3.1 By virtue of its size and importance, and even more by virtue of the critical state of its waterways, it was BW and the issues it faced that dominated the Council's considerations.

3.2 *An Undervalued Asset* described the inland waterways in general as a

*"National treasure, a legacy of extraordinary richness and variety which, apart from a handful of popular areas and stretches, the nation as a whole still undervalues and under-resources."*

and went on

*"The system is capable, given the right policies and investment, of adding to the quality of life of millions in our highly urbanised country.*

*Not nearly enough is being done to give our waterways the support they need to make this contribution.*

*The structure within which the whole system is managed is fundamentally un-businesslike. The pattern of ownership is too fragmented: the incidence of funding too uneven: the services to businesses and customers too haphazard: the ambitions for use and development too low key: the attitudes to protection and conservation too short term."*

3.3 It called for action on three broad and inter-related fronts:

- *a higher status for our waterways at international, national and local level* so as to promote
- *more money coming into the system* in order to preserve
- *its long term value by shaping development and uses to conservation-based objectives through sustainable partnership management.*

3.4 In its 31 conclusions to the report, the Council sought to address a number of the difficulties facing BW at the time. It highlighted, for example,

- the need for Government to invest more in BW by increasing grant or by exploring new forms of public funding in order to multiply the potential benefits from the system;
- the absence of a national policy statement for waterways and their inadequate coverage in planning guidance;

- the importance of long-term conservation and sustainability;
- the potential for partnership working among navigation authorities and between BW and its range of stakeholders in the public, private and voluntary sectors;
- the opportunities for regeneration initiatives focused on urban and rural waterways;
- the opportunities for restoration offered by the national lottery and other funding sources.

3.5 By the time of the 1997 *Final Recommendations*, the debate had moved on since the earlier report and the Council focused principally on a radical reform of BW's status and responsibilities. It sought the creation by legislation of a new national body for navigation, taking over BW's waterways, and individual Environment Agency (EA) navigations as appropriate, so dismantling the 1968 Transport Act and rationalising the historic structure of waterway responsibilities.

3.6 If such radical and contentious reforms were not to be accepted by Government, the Council recommended the establishing of a 'Waterways Heritage Trust' to assist BW and other navigation bodies in funding their conservation work.

### Conclusion

**In *An Undervalued Asset*, the Council sought to shift attitudes to the inland waterways from a narrow focus on operating and maintaining the navigation track to one of pursuing the benefits waterways can offer to the corridors within which they lie and to the communities and businesses within these corridors. This shift was to be achieved by getting them recognised as a national asset and protected, managed, used, funded and developed so as to put them at the heart of the country's economic, social and cultural life. This was, and remains, the Council's vision for the waterways. The Council commends it to all navigation authorities.**

## 4 British Waterways since 1996: towards sustainable waterways

### Overall achievement since 1996

4.1 Since 1996-97, BW has used a 21% increase in DEFRA grant to raise its direct earned income by 175% (64% if exceptional property sales in 2001/2 are excluded), its Third Party income by 268%, and its overall waterway expenditure by 67% (all figures are adjusted to 2001-02 values - see Table 1). A waterways system once written off as redundant, out-dated, and irrelevant, has begun to be transformed.

**Table 1: BW Overall Financial Performance 1996/7 to 2001/2**

	£M 1996/7	£M 2001/2
Overall Waterway Expenditure	111	186
Earned income (property/licences/wayleaves etc)	41	114*
Third Party income (incl RDAs, Europe/LAs/Lottery)	12	43
DEFRA Grant (Scottish Executive)	58	70** (8.6)

\*includes exceptional £46M from sale of property rights in London Docklands

\*\*cash grant received, includes grant relating to previous year

Sources: BW Annual Reports. The 1996/7 figures, have been adjusted for inflation to 2001-02 values (using the Treasury GDP inflation indicator of 1.1327)

Some of the groundwork had been laid in the years before as BW first reformed itself and then began the task of convincing public and private partners of the value, and equally the potential value, of partnership investment in the waterways. However, what BW has been able to demonstrate in recent years is sustained drive and commitment, an ability to deliver and a productive relationship with Governments and other stakeholders. With the more supportive climate fostered in Whitehall, Edinburgh, town halls and elsewhere, an entrepreneurial BW has flourished.

### New contexts

4.2 Three important changes to the context within which BW has operated have been achieved with BW's active participation:

- the publication in 1999 of the Government's *Unlocking the Potential: A New Future for British Waterways* which heralded a significant increase in grant and so made possible the reduction of the safety-related maintenance backlog within an acceptable time frame. This, after years of grant

reducing or not keeping pace with inflation, was the first direct Government demonstration, for many years, of its confidence in the future of the waterways and of BW's ability to manage them. The year previously, reflecting its more modern role, BW had become a public corporation rather than a nationalised industry;

- coupled with this, the issue by the Government of a *Framework Document for British Waterways* setting out new objectives as a basis for the proposals in *Unlocking the Potential*. While this did not give BW quite the full freedom it sought, it nonetheless encouraged it to develop its existing partnership approach, and the new ideas set out in *Unlocking the Potential* for longer term partnerships with the public, private and voluntary sectors - partnerships that in 2002 were put in place for property development and water transfer. These partnerships have the potential for substantial opportunities for increasing private investment in, and also income-earning opportunities from, BW's waterways without BW losing control of its property assets. Government also said that 'BW should take the lead in consulting and co-ordinating with other UK navigation authorities to offer the benefits of its expertise';
- DEFRA's June 2000 *Waterways for Tomorrow*, the first national policy statement on the inland waterways for 30 years, which endorsed for the system in England and Wales the principle of maximising the potential of the waterways outlined in *Unlocking the Potential* and advocated a more proactive approach by all navigation authorities.

### Positive responses to devolution

4.3 A key political change in the 1990s was devolution in Scotland and Wales and to both BW has readily responded. Under devolution, responsibility for inland waterways in Scotland, including the sponsorship of BW's activities, was transferred to Scottish Ministers. BW has completed the Millennium Link project as a basis for urban and rural revitalisation in the central lowlands, established a clear Scottish voice in waterway management, obtained increased grant from the Scottish Executive and assisted it to prepare a policy document *Scotland's Canals – An Asset for the Future*, launched in 2002. In Wales, where responsibility for inland waterways was not transferred, BW has presented to the Minister for Environment a strategic vision and a draft plan *Waterways in Wales – Improved quality of life through the sustainable*

development of the waterways of Wales (to be launched for public consultation in 2003), and has helped to set up an All-Party Group in the Welsh Assembly to give waterways there more political support.

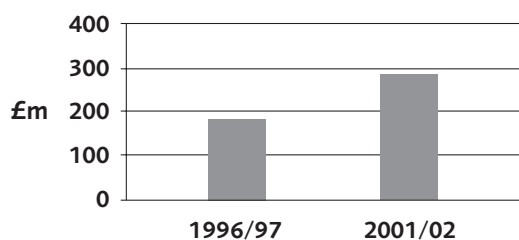
4.4 The pattern of devolution is also reflected in England with the establishment in recent years of Regional Development Agencies with whom BW already has a range of collaborative projects.

### The transformation of direct and third-party income

4.5 BW's income-earning performance, as Table 1 illustrates, has been notable. The highlights have been:

- an almost 180% increase in direct business income, both from established sources such as licence fees and property and from new ventures such as telecommunications. The number of boats on BW waterways has grown consistently by an average 2% p.a. over the last decade. The asset value of BW property (Table 2) grew, in real terms, by more than 45%. The year 1998-99, when earned income exceeded Government grant for the first time ever in BW's history, was another milestone;

**Table 2: BW Investment Property (Book Asset Value)**



A 46% increase in real terms

Sources: BW Annual Reports

- achieving a remarkable success (increasing almost 270% - Table 1) in securing third party partnership funding for waterway restoration, development and improvements. BW has set the pace in exploiting the availability of national lottery funding, land-fill tax credits, local authority support, national and regional development agencies, European Union funds and others. The annual total of funding raised in 2001/02 was close to four times what it had been in the mid-90s.

4.6 The achievements over the last two years in completing the restoration of 200 miles of previously disused or partly disused waterways and constructing the first new leisure navigation for generations are unprecedented. Equally important has been BW's ability to handle conflicts among its partners and deliver its projects broadly on time and on budget, particularly significant in giving confidence to partners in considering future funding. In March 2002, BW announced ambitious plans for an approximately £500 million programme of Tranche 2 and Tranche 3 restorations, new waterways and new attractions. By 2002, BW claimed to have stimulated an estimated £2 billion of regeneration development transforming its waterside land and injecting an estimated £80 million into local economies each year.

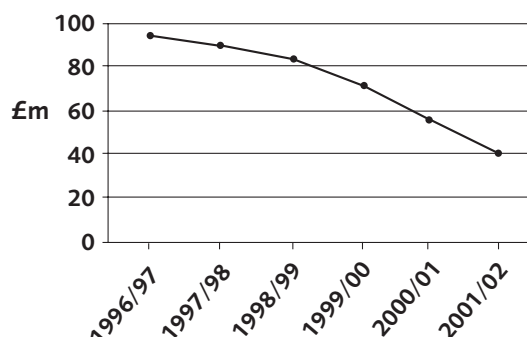
4.7 Waterway regeneration is now everywhere an increasingly significant contributor to the national programmes for urban and rural regeneration, with BW fully playing its part.

### Securing the waterways asset

4.8 Among BW's most important achievements have been measures to secure the long term future of the waterway track, its built heritage and its natural environment, and maintaining technological innovation in waterway management. Highlights include:

- reducing the safety backlog (Table 3) and formulating, through a progressively updated and refined Asset Management Plan, a firm programme (given Government funding) for tackling the maintenance backlog – the safety-related by 2004, the remainder by 2012. This is the first time for a generation that the backlog has been the subject of a clear programme to clear it. The long-term security of the core waterways asset rightly remains a prime BW concern.

**Table 3: BW Balance of Safety Backlog**



Sources: BW Annual Reports

- at the same time, securing a more systematic and sympathetic approach to the conservation of the built and environmental heritage of the waterways, through initiatives such as the survey of all buildings and structures, the establishment of the Hatton Heritage Training Centre, the agreement on a Bio-diversity Action Plan with the Wildlife Trust and English Nature, the production of an Environmental Code of Practice and of Design Guidance and the pioneering of a conservation management planning approach to individual waterways. The picture across the BW system is far from perfect but the improvements in recent years have been substantial;
- maintaining a record of technological innovation in navigation management, examples of which have been water telemetry and the development of models for reducing water waste, electric boat initiatives, the application of fuel cell research, ecological initiatives in canal maintenance and the BW-commissioned design of the Falkirk Wheel.

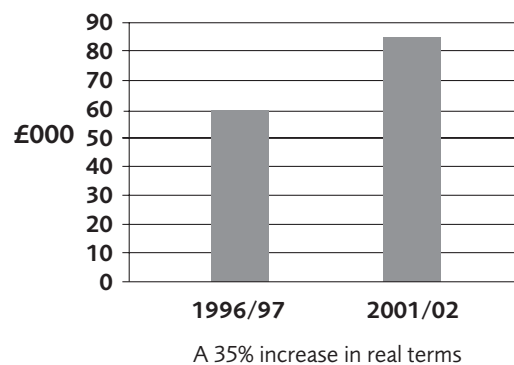
### More focused attitudes to users and customers

4.9 Among a series of initiatives, the Council would highlight BW's achievements in;

- developing a more focused approach to the needs and aspirations of users/customers via systematic improvements in operational efficiency, waterway standards and services to customers, via the development at key sites of new visitor attractions and via the publication, for the first time, of annually-updated five year plans. The sustained effort to improve services across the system is undeniable even though the Council has been critical of some BW moves and still sees much room for improvement. More recently BW has begun to develop a range of IT services which offer possibilities in the future for more direct interaction between navigation authorities and commercial organisations on the one hand and individual users and customers on the other;
- pioneering new initiatives to promote access, inclusion and lifelong learning, for example the *Waterways Access for All Project* and a range of local out-reach initiatives throughout the system;
- recruiting/retaining and developing the people to expand its business in a more customer-focused way by instituting a comprehensive performance, management and development programme. Business turnover per employee has risen as shown

in Table 4. Surveys show high levels of employee satisfaction and a staff leaving rate half that of business generally. This year BW was one of only two public sector organisations awarded a top 100 place among the *Sunday Times Best Companies to Work For*.

**Table 4: BW Turnover per employee**



Sources: BW Annual Reports

### An authoritative leadership role in UK navigation

4.10 BW not only manages the largest system of waterways in the UK, the system has expanded – by transfer of waterways such as Linton Lock and the Tees Navigation and by restoration and new construction. BW has also taken over the management of water spaces in London Docklands, and expects shortly to take over similar areas in the Liverpool Docks. These responsibilities, and the range of partners and stakeholders which BW has nurtured, were the basis for Government recognition in 1999 of BW's lead role in assisting other navigation authorities to make progress.

4.11 BW has used its strengths and its successes to raise the profile of navigation throughout the UK, including

- playing the leading role (along with the Environment Agency and the Broads Authority) in creating and developing the Association of Inland Navigation Authorities (AINA), the first unified voice for those who own, operate and manage inland waterways;
- the collaboration agreement with the Environment Agency to improve management of the two largest publicly-funded waterway systems;

- developing new markets overseas for its expertise and so measuring itself against international competition;
- further extending its influence by establishing The Waterways Trust in 1999, originally with the aim of safeguarding the future of the Waterway Museums and, in addition, now providing an innovative arms-length means of raising third party funding for education and conservation initiatives and for facilitating restoration of historic waterways;
- by these means, raising everywhere the national profile of inland waterways. The size and range of the audience, last year, for BW's presentation of its future plans in *Unlocked and Unlimited* was indicative of this success.

## Conclusion

**Since 1996, British Waterways has made considerable and welcome progress in conserving, upgrading and developing its waterways. Particularly noteworthy have been the achievements in generating commercial income and third-party income so significantly enhancing the value of the annual Government grant, responding to devolution first in Scotland and more recently in Wales, maintaining and improving the waterway track, offering a more customer-focused service to users and raising the profile of its own and other waterways. BW is to be commended for all its achievements so far. Nonetheless, a great deal still remains to be done to achieve the Council's full vision for the waterways.**

## 5 More to be done: future challenges and priorities

5.1 Further progress, building on the achievements of recent years, calls for ever closer integration of waterways into the agendas, in particular, of:

- the UK Government (particularly the Government Regional Offices in England and key national development agencies such as English Partnerships);
- the Scottish Executive and the Welsh Assembly and their respective development agencies;
- the Regional Development Agencies (RDAs) (and any future Regional Authorities) in England
- local authorities

and in order to optimise the contribution of waterways in these fields, there is a need in addition for

- improved management of the waterways system as a whole
- improved customer focus in the leisure market
- improved financial sustainability of navigation authorities

### A UK Government agendas

**(a) urban regeneration and 'quality of life';**

**(b) rural revitalisation;**

**(c) the voluntary sector, and**

**(d) sustainable waterways management**

#### **(a) Urban regeneration and 'quality of life'**

5.2 Here, the waterway contribution is now well established with successful major projects, mostly involving BW waterways, completed, or in hand, in Birmingham, Manchester, London, Glasgow, Edinburgh, Liverpool, Leeds, Sheffield, Nottingham and Leicester among others. Based on committed partnerships with city authorities and the private sector, such projects have clearly demonstrated the development potential of waterside sites and the additional economic and social value which can be obtained from them. In terms of future potential, the possibilities include:

- additional city centre sites not yet developed;
- extending development along the urban waterways to more off-centre locations – as is now happening in Birmingham and will happen in East London around Stratford;
- the creation of new waterways (as in central Liverpool) as a lever for new projects;

- promoting more intensive use of the water-space as a focus for mixed-use developments – there are still examples of projects, attractive in themselves, overlooking water areas which are under-used and which appear to serve as little more than cosmetic settings for the new development – vibrant waterways should be at the heart of all successful projects;
- the transfer by Government to BW of further water areas and also water-side land from elsewhere in the public sector and where BW can be expected to get better value out of them;
- exploiting opportunities in smaller urban centres as, for example, has happened in Gloucester.

Securing this potential will require sustained support from the UK Government, co-operation from its regional offices and development agencies such as English Partnerships and clear guidance from Government to the RDAs, as well as partnership arrangements with the relevant local authorities.

#### **(b) Rural revitalisation**

5.3 The majority of inland waterways connect small towns and villages and run through open countryside. Their potential, therefore, to re-distribute spending by tourists/visitors, meet the needs of local people and to make a step change in the quality of life of rural communities, is highly relevant to the Government's agenda for rural revitalisation. After the pronounced success of waterside urban regeneration in the 1980s and 1990s (although still with scope for much more in these areas), the challenge now is to achieve a similar transformation of rural waterways while avoiding linear development along them. The project scale may, of course, be smaller but the difficulties are in some respects greater, e.g. lower land values, often unfavourable planning policies, 'NIMBY' attitudes, and access and infrastructure problems. The way forward will again be via positive and proactive planning policies, partnership working, the deployment of available grants, and imaginative solutions to site problems. Already BW has adopted a Rural Development Strategy, implemented initiatives in market towns, begun to establish partnerships with landowners, farmers and district councils, and pioneered visitor centres near major attractions. These are only the first steps. Hopefully, success will breed success. Once a number of projects have been completed, the many more that are needed should follow.

5.4 Waterway-related rural development packages could comprise:

- mixing existing use of boatyards (or other waterside property) with mini visitor centre functions;
- conversions of historic/redundant waterside buildings for small sustainable businesses;
- small-scale developments in waterside villages;
- more partnerships with landowners and farmers to develop diversified mixed uses of waterside land where planning permission is forthcoming;
- partnerships with local authorities for local leisure facilities;
- creating new foci for rural tourism in towns and villages,

with the aim, ultimately, of developing discrete nuclei of services/attractions, of varying sizes and use-mixes, along the waterways. As with the urban agenda, positive UK Government support, and that of its agencies and the RDAs, will be a crucial part of future progress.

### **(c) Voluntary sector contribution to the waterways**

5.5 It is the Government's expressed view that successful regeneration needs the active involvement of all three sectors - public, private and voluntary. The first two are already actively involved in waterway regeneration. The voluntary sector, too, has long made a valuable contribution, most notably in campaigning to preserve, and working to restore, the system. A number of the restoration projects completed in recent years could never have happened without the pioneering efforts of the Inland Waterways Association, the Waterway Recovery Group, the canal societies and others in the voluntary sector. They deserve every credit for this work.

5.6 There are certainly improved relations with the navigation authorities on many fronts but, nonetheless, the voluntary contribution remains fragmented, a situation already highlighted in *An Undervalued Asset*. BW has sensibly established a national user forum (and the Council would like to see improved appreciation of its deliberations throughout BW) but the user groups themselves have achieved less co-ordination. In *An Undervalued Asset*, the Council suggested a voluntary forum for users operating in parallel with AINA and is disappointed that, beyond an annual conference, this has not been pursued. The idea, which would be an aid

to more coherent inter-user dialogue and consultation with Government and navigation bodies, should be reconsidered by a new generation of voluntary organisation leaders.

5.7 What is still missing, in the context of growing interest in the waterways, is effective engagement with a multitude of individual agendas - environmental, ecological, social, economic, cultural and so on - to match the performance and impact of organisations such as the National Trust and the RSPB. In terms of scrutiny and participation, community involvement, volunteering, fund-raising, assisting with detailed management, securing sustained value from improved waterways and waterway restorations, helping to meet special needs, contributing to a more structured debate, and mobilising political support, no other sector has anything like the potential of the voluntary/ community sector to help the future development of the waterways.

5.8 The creation of The Waterways Trust (TWT) has been a positive change. It is giving the waterways new access to charitable funds and a professional vehicle for mobilising and widening voluntary support and community involvement. The Trust is also custodian of the nation's waterway museums and archives. These are a high-cost responsibility and the Council would wish to see this element of the nation's waterways' heritage put on a similar financial footing as other national museums through greater state and voluntary support.

5.9 The other major challenge for such a new charity remains to tap effectively the millions of potential supporters outside the relatively small, predominantly boating and angling, interest groups. BW is eager to develop a larger role for volunteers and there is a strong logic that this should be developed in partnership with TWT thus complementing its roles of fundraising and the mobilisation of wider voluntary and community support. The National Trust, National Parks, Wildlife Trusts and others support, manage and develop their volunteer programmes through professional paid staff. In contrast voluntary effort in support of the waterways has been almost entirely run by the volunteers themselves with little or no back-up. If the great potential of voluntary participation and community involvement in the waterways is to be released greater professional support and sustained funding are both essential.

5.10 All concerned, therefore, need to think about ways to encourage voluntary bodies, community groups and individuals to contribute more and give

increased value to the waterways. Government policy on inclusion and volunteer/community involvement is in place. Local authorities appear broadly supportive. It may well be that a better-resourced TWT could act as an effective focus for sustained pan-waterway voluntary and community input. The Council would support such a role for TWT, working with a range of organisations including voluntary groups, and would wish to see sustained resources brought to bear in support of this.

#### **(d) Sustainable waterways management**

5.11 *Waterways for Tomorrow* encouraged all navigation authorities to manage their waterways sustainably. BW's latest *Our Plan for the Future* quotes the four general sustainability principles set out in the Government's *A Better Quality of Life*

- effective protection of the environment
- prudent use of natural resources
- social progress which recognises the needs of everyone
- maintenance of high and stable levels of economic growth and employment

Government expects the four principles to be pursued at the same time and at all levels of decision making. This could increasingly impact on the way waterways are managed and developed. Consultation has begun by BW on a sustainable development strategy and action plan. BW also, rightly, points out that its financial sustainability as a business is crucial to its ability to achieve many of the outcomes desired by Government. The Council would also add that achieving the Government's agenda for the longer term is made substantially more difficult by its inability to make funding decisions over more than the short term.

5.12 The waterways, their track, historic buildings and structures, and natural environment, are BW's core assets. They are unique and precious and over time can only increase in value to the nation and local communities. They must be, in the words of the 2001 DCMS Report, 'a force for our future'. Over the longer term, BW's performance and reputation as their custodian will engender more users and visitors, greater user support, more overall public support, and, hopefully, the greater political support which BW needs. BW, and indeed all navigation authorities, will therefore need to ensure they are giving due attention to:

- achieving high and consistent standards of conservation and environmental protection (for its own sake and not only in response to external regulation), possibly including the development of its front line built heritage/ecology resources and considering ways to reinforce heritage/environment responsibilities at central executive level;
- assessing, through sustainability management plans at the waterway level, capacity constraints and finding ways to respect them by balancing competing uses;
- ensuring that all regeneration and development projects are sensitively designed to protect the fabric of the waterways' heritage and enhance their character;
- enhancing its environmental assets wherever possible: for example through greening initiatives, removing eyesores, creating and enhancing biodiversity, landscaping, developing corridor parks, partnerships with landowners/farmers/wildlife trusts in rural areas and so on;
- pursuing high quality modern design which respects the heritage and environmental values of the waterways;
- enforcing stringent pollution controls;
- encouraging sustainable transport both in the workplace and on the waterways e.g. minimising (wherever this is practical) car use in favour of public transport, and promoting non-polluting and energy efficient activities such as canoeing, rowing, punting, walking and cycling.

5.13 In relation to the prudent use of natural resources, some areas for consideration could include:

- effective stewardship of water resources;
- reducing waste;
- seeking opportunities to reduce carbon dioxide emissions from all BW activities and properties including a shift to a low carbon energy future for all energy use and devising creative carbon 'offsets' for unavoidable residual emissions;
- encouraging renewable energy;
- replacing natural materials with recycled substitutes – by BW and suppliers;

5.14 The social progress principle of sustainability could require consideration of:

- exploring the potential for doing business with socially responsible organisations generally, including partnerships with private sector organisations such as energy utilities, water companies and other linear utilities;
- developing effective consultation and partnership working especially with local authorities in community planning, community strategies and local strategic partnerships;
- setting prices at levels which encourage disadvantaged people (especially youth and poorer families) to enjoy the waterways;
- incorporating explicit social objectives including housing into waterside development briefs;
- developing social targets for waterway managers parallel with financial targets;
- promoting the Government agenda for public health and enjoyment in partnership with health and sporting authorities;
- supporting voluntary groups, community boats etc in a sympathetic way;
- developing further education partnerships;
- exploring more 'local' connections – with communities, businesses and groups.

5.15 BW is not, however, a social services organisation and is not funded by Government to operate as such. Its prime responsibility is to operate and maintain its waterways. Creating attractive and safe leisure environments for public enjoyment is by far the most useful single contribution BW can make to promoting inclusion. Meeting special inclusion needs beyond this, as the Council's 2001 report *The Inland Waterways: Towards Greater Social Inclusion* underlined, is potentially an enormous task and the costs involved are often heavy. BW, while pioneering a variety of inclusion projects, has limited resources and needs to know where its current efforts are best targeted and most productive.

5.16 A fruitful way forward may be for it to develop a strictly limited and targeted inclusion strategy for, say, 3-5 years, seek specific funding from local authorities, the lottery, charities and so on, to complement its own inputs, implement the strategy and measure the outputs, before rolling it forward. Worthwhile priority groups, in the Council's view, would be those with physical disabilities (on which BW is already well

advanced), disaffected youth and poorer families. Such an approach would demonstrate openly what priorities have been established, what results have been achieved, give confidence to future funders, and limit BW's own commitment to areas where it can reasonably hope to make a significant difference.

5.17 The economic/employment principle could involve:

- reviewing whether more can be done through existing initiatives on capital and procurement spend – promoting innovative approaches to local procurement of goods and services – linked to local job creation and training/apprentice opportunities;
- exploring community investment – direct and indirect;
- promoting waterborne freight;
- promoting waterborne and water-related tourism, working where possible with tourism industry partners, so as to increase the number of visitors, offer them a better quality of experience and finding more ways to earn income from them e.g. through stimulating and enjoyable visitor attractions, off-line marinas, on-line information services;
- further regeneration initiatives within and on the fringes of urban and rural settlements.

5.18 Few of these are new ideas and a number are already being developed by BW as would be expected of any responsible public corporation. External stakeholders are, however, unclear what the totality might mean for the management of the waterways. The Council considers that as it develops its sustainability strategy and action plan BW can only gain from being frank and open about the range of indicators it uses to measure its performance against the four principles and from publicising clear evidence of what it is doing to achieve optimal sustainability.

5.19 Published reports by private and public organisations that are pursuing the sustainability agenda show that they have found it necessary to redeploy resources, restructure management and budget procedures, and re-appraise programmes, projects and performance. Some have created a sustainability task force to focus the issue into the heart of management, public relations and partnerships. However, the question as to whether existing systems/structures in BW are adequate or need to be changed is a matter for the BW Board not for the Council.

## Conclusion

**The Council concludes that the following steps are necessary to integrate the waterways more closely into the agendas of the UK Government;**

- **if recent achievements in waterway-linked urban regeneration are to be maintained, and opportunities for revitalisation on and around rural waterways exploited, navigation authorities will require the active support of the UK Government, its regional offices, and national development agencies such as English Partnerships, as well as individual local authorities;**
- **the huge potential of the community/voluntary sector to contribute more and give increased value to the waterways has barely been tapped. New initiatives by all concerned are needed. The Council looks to BW, possibly in association with The Waterways Trust, for early progress on finding ways to expand the effective use of volunteers and to the Trust to find ways to become more of a pan-waterway focus for community/voluntary effort;**
- **in developing the four UK Government sustainability principles, BW needs to aim for international standards of stewardship of the fabric, heritage and environment of its waterways, be more targeted in outreach initiatives to the excluded and be frank and open about the sustainability indicators it is using and about how it is working towards optimal sustainability.**

## **B Scotland, Wales and regional development agencies (and any future regional authorities) in England**

5.20 The report touched earlier on BW's positive first responses to devolution in Scotland and Wales. Future activity here will also reflect the agendas, particularly the range of sustainability principles, of the UK Government. The same will be true for the RDAs in England and any future devolution to the English Regions.

## Scotland

5.21 Whatever the evolution of the political scene in Scotland, the Council strongly believes that Scotland's interests are best served, technically and financially, by keeping the BW Scottish waterways as part of the BW system.

5.22 As in England and Wales, the Scottish Executive awards grant towards the deficit between the income and expenditure of BW's activities in Scotland. Following devolution, the amount received by the Executive from DEFRA as its share of Government grant was £6.3m. Since then the Executive has increased the grant to £8.4m in the 2002-3 financial year and will raise it to £8.9m in 2004-05. In addition for the last two years there has been extra ad hoc grant awarded. Notwithstanding these increases, the Council understands from BW that its Scottish waterways are still cross-subsidised by the rest of the BW system and therefore could not, at present, stand on their own feet. Some may see this as an inequitable situation but the Council believes that the corollary of keeping a unified cross-border management of BW waterways is that some degree of cross-subsidy may be inevitable even if not necessarily at the current level.

5.23 Where BW has the Council's full support is in the urgent need for extra resources to be put into Scottish waterways, and in particular the newly restored Lowland Canals in central Scotland, in order to generate the added value in terms of the economic, social and environmental benefits potentially available from this very large investment. A useful start has been made on new boating and visitor facilities, but much more remains to be done. The resource package needed requires additional Executive grant, encouragement by the Executive for investment by its agencies concerned with economic growth and regeneration (in particular Scottish Enterprise), support from the relevant local authorities and, finally, BW's own resources applied in radical and imaginative ways to achieve a flourishing canal culture on the Lowland Canals. It would be particularly beneficial, bearing in mind the value of a well-maintained and well-equipped major waterway, if extra public funding could be achieved on a contract rather than an ad hoc basis.

## Wales

5.24 Although the Welsh Assembly does not have the responsibility for inland waterways as does the Scottish Executive, it does have comparable responsibilities for the waterways' environment and corridors. The challenge to Welsh government is therefore as far-reaching as that in Edinburgh – achieving, in

partnership with BW and other authorities/owners, the economic and social benefits from the restoration of the waterway heritage, particularly in the urban canals of South Wales. Once the new waterways strategy is adopted by the Assembly, the onus will be on the Assembly, its agencies and local authorities to work with BW, the EA and others to implement it effectively. Completing the restoration of the cross-border Montgomery Canal will require co-operation between DEFRA and the Assembly and co-ordination of their respective responsibilities.

## England

5.25 The even greater challenge will be to engage the support of the English RDAs (and other regional bodies such as Regional Tourist Boards) for funding in support of waterway regeneration, restoration and new construction. Some are being supportive, at least for early studies and smaller projects, but few examples of large-scale funding are yet evident from them. BW may find it worthwhile to make efforts to engage each RDA in the preparation of a specific waterway development strategy, region by region, highlighting the opportunities for future development of urban and rural waterways, the potential benefits and the investment needs of the system in each area.

5.26 In England, current plans, if approved, are for devolution to regional government to begin in two or three years time. BW's operational regions are not co-terminal with the boundaries of Government regions but the Council sees no fundamental problem in BW operating effectively in any new structure. The developed BW regional management system will itself be a plus factor and regional directors will be well placed to position their waterways and projects according to varying regional agendas, particularly where there is already an agreed investment strategy with the responsible RDA.

## Conclusion

**In respect of Scotland, Wales and regional agendas in England:**

- **BW Scottish waterways, for technical and financial reasons, should remain an integrated part of the BW national system;**
- **extra public resources from the Scottish Executive, its executive agencies and relevant local authorities, need to be mobilised to develop the Scottish waterways and in particular to exploit for economic and regeneration purposes the large investment**

**already made in restoring the Lowland Canals. BW should explore with the Executive the potential for additional contract funding to secure these benefits.**

- **in Wales, the Assembly needs to be actively mobilising the resources of its development agencies and local authorities, in partnership with BW and other navigation authorities, to achieve the revitalisation of the Welsh waterways. In the case of the restoration of the cross-border Montgomery Canal, close co-operation between the Welsh and English authorities will be necessary;**
- **in England, BW should be proactive in engaging each relevant RDA in the preparation of specific regional waterway development strategies.**

## C Local authorities

5.27 The Council's 2001 report *A Second Waterway Age* repeated the advice in the earlier 1998 report as to the key role of local authorities in relation to their local waterway(s). The pattern of support has become much more positive in recent years as authorities have realised the potential of that part of the system lying within their boundaries and a number of active partnerships are now in existence with beneficial results both for local communities and their waterway. A great deal of potential, however, remains to be fulfilled.

5.28 There is also today a much more local emphasis in lottery grant funding than previously and this trend looks likely to continue. Local political support is moreover a key ingredient for implementing larger projects with national/regional funding possibilities.

5.29 The range of responsibilities of local authorities is such that partnership working can tap into a number of new mechanisms and funding sources – Local Development and Employment Strategies, Local Transport Strategies, Local Community Strategies, Local Environmental Strategies and so on – as well as more traditional responsibilities for planning, education and social welfare. At parish level there are the new Village Appraisals and Development Plans.

## Conclusion

**The closer integration of waterways into all the various agendas of local authorities, and their political support for larger cross-boundary projects, is essential if mutually beneficial projects are to be realised.**

## D Improved management of the waterways system as a whole

5.30 Following the recommendation (see para 3.5 above) in *An Undervalued Asset*, the Council reiterated the case for a single management of BW and EA waterways in its evidence to the House of Commons Environment, Transport and Regional Affairs Committee inquiry in 2000, and in evidence to the Government's Finance Management Policy review (FMPR) of the EA in 2000/1. While acknowledging the case, DEFRA Ministers decided in autumn 2001, after the FMP Review, to let the Agency retain its navigation responsibilities, but to set it tough new performance targets on navigation and regeneration.

5.31 The EA has issued *The True Value of Navigations* (Jan 2003) as a consultative document towards the development of a new strategy for its waterways. The Council welcomes this initiative and hopes it will lead to tangible results of improved waterway/service standards, increased boating numbers, and significant wider regeneration of the EA waterway corridors. The Council expects that the Agency's progress will be examined when its performance is reviewed by the Government. The Council will be monitoring the Agency's achievements as part of its review for DEFRA of the outcomes of *Waterways for Tomorrow*. When both these exercises are completed the Council will look again at its advice to DEFRA Ministers on future navigation responsibilities.

5.32 *Waterways for Tomorrow* advocated further collaboration between BW and the Agency. Progress is currently being made in achieving a more rationalised craft licensing structure for the BW system, but an integrated licence across all navigation authorities has not yet been achieved. The Council looks forward to rapid progress towards this goal.

5.33 In parallel with a new national body *An Undervalued Asset* also advocated consideration of how best to replace the obsolete legislation under which most waterways were managed. The UK Government, responding to the House of Commons Environment Transport and Regional Affairs Committee Report in 2001, agreed to review BW and other navigation authorities' legislation but to date nothing has been done.

5.34 BW takes the view that the case for a radical change to its own primary legislation is unnecessary at the present time following the formalisation of its new Framework in 1999 and as operational reform is proving possible by administrative means or by regulation (as is now being done, for example, by promoting a

regulatory reform order in relation to the water grid). The Council, however, is aware that the new framework does not over-ride the statutory limitations of the Transport Acts, considers that the latter are today even more obsolete and so remains of the view that a review of all waterway legislation would be worthwhile and should be pursued by DEFRA.

5.35 As part of this legislative review, DEFRA needs to consider reform of the Council's statutory terms of reference. It is the Council's view, as given in evidence to the 2000 Commons ETRA Committee, that widening its remit to encompass all waterways and making the Council directly answerable to DEFRA and the Scottish Executive, would more accurately reflect the way the Government has been using the Council as a strategic pan-waterway advisory resource in recent years.

5.36 The Association of Inland Navigation Authorities (AINA – see para 4.11) has gone some way towards addressing the present fragmentation amongst navigation authorities. It has done useful work with limited resources and should be encouraged to expand its activities especially as a forum for liaison, for encouraging research and promulgation of consistent standards and good practice throughout the waterway system. The Council would particularly wish to see BW continuing to give AINA members, and others outside AINA, the benefits of its professional and technical help on waterway restoration, improvement and development.

## Conclusions

- **Further co-operation between BW and the EA in the management of the two largest navigation systems, particularly in terms of licensing arrangements and the sharing of good practice with the smaller navigations, should be pursued;**
- **DEFRA should monitor and review in the next FMPR the EA's performance against the navigation and regeneration targets it has set for the Agency;**
- **DEFRA and the Scottish Executive should implement the undertaking to review waterway legislation with the aim of agreeing any changes to powers and duties needed for modern waterway management and development, for the effective conservation of the historic system and to protect the interests of users and consumers. This review should include the Council's terms of reference and related matters.**

## **E Improved customer focus in the leisure market**

5.37 Continuing efforts are needed by BW to educate, interest and nurture new users and paying visitors by developing attractive visitor centres, large and small, by pursuing a 'whole site' approach to the visitor experience, by being as imaginative inside the visitor centres as in the new engineering achievements on the actual waterway, by attractive new pricing policies and by focused marketing and promotion. These need to be followed through in detail. Examples put to the Council to illustrate further customer service improvements worth considering include extended hours at attractions and BW offices, more staffing of locks and shorter winter stoppages. There could be an increased role for the voluntary sector in some of these improvements.

5.38 At the same time, BW needs to do all it reasonably can to nurture existing users, customers and clients. Steps taken by BW to improve relations with these do not yet appear to have provided the whole answer. The recent campaign for a waterways regulator to deal with complaints about fees and charges is evidence of significant dissatisfaction with aspects of BW management. The Council, however, is also concerned at the lack of realism in some of the arguments and the evident mis-apprehension about the policy context and the financial imperatives within which BW operates.

5.39 Nonetheless, it considers that the onus must be on BW to concentrate less on 'spin' and more on straightforward explanation and reasoning to encourage better dialogue and improved understanding of its position and objectives. Many stakeholders would welcome a business culture which is more open about, and readily learns from, its failures as well as trumpeting its successes. BW also needs to keep its internal communication methods constantly under review so that central decisions are seen to stimulate consistent, as well as effective, action at local waterway level.

## **Conclusions**

- **BW should continue to build on its progress in developing more customer-focused services, promoting new users and customers and nurturing existing stakeholder businesses and clients**
- **The Council looks to BW, in its dealings with customers, clients and others, to be more open and frank, to learn from its mistakes and to use**

**less spin. It also recommends BW to improve monitoring of its programmes and internal communications to ensure that central decisions stimulate consistent, as well as effective, action at local waterway level.**

## **F Improved financial sustainability**

5.40 BW's primary responsibility is to discharge its obligations to make available, maintain, conserve and enhance its waterways to appropriate standards and improve amenities for those who use them. It has to act commercially and maximise its income in order to sustain these obligations and re-invest in the waterways and minimise the call on grant as far as possible. Meeting the costs of increasing Government and European regulations, however desirable in themselves, provides an additional burden.

5.41 The business approach to date has been to develop multiple activities and uses on and around its waterways, to find and develop innovative new business opportunities and to lever in investment from sources other than traditional waterway sources and DEFRA/Scottish Executive grant. There is still very considerable potential in the former and BW now has access through strategic partnerships for property and water development to even greater opportunities in the future. The Council has no hesitation in expressing support for this basic business approach and, as long as it respects the fundamental integrity of the waterways and their heritage and environment, seeing its continuation as a key part of the future BW.

5.42 It remains to be seen whether BW's projections of future commercial and third-party income will be met – and the Council is not privy to the data with which to conduct a detailed analysis - but some general points can be made in this review.

- To facilitate the integrated management of the BW non-operational estate in the long term interest of the waterways, the Council would wish to see BW's property portfolio remain under BW control;
- BW's reputation as an optimiser of public funds, from whatever source, is critical for future progress. BW will enhance the prospects of securing large increases in third party funding for regeneration and restoration, especially from local authorities and development agencies, as long as it is able to demonstrate firm and authoritative evidence that completed restorations and improvements do indeed generate the benefits – economic and social – which have been promised to funders.

- The Council would encourage BW to seek the widest possible sources of funding for all the diverse non-statutory functions that it performs.
- Those responsible for framing funding policies and programmes, including sponsoring UK Government departments, should also ensure that the funding regimes (of the RDAs, national lottery bodies, the LTCS and so on) continue to be available for beneficial waterway projects. Social inclusion initiatives and other forms of local improvement related to environment, health, education and community needs should be able to make use of the newly merged New Opportunities Fund/Community Fund.
- For future waterway restoration, the outlook, as the Council warned in its 2001 report *A New Waterway Age*, is more problematical following the demise of Millennium Lottery funding. The recent DCMS Review of the National Lottery has failed to come up with an answer to the need for a source of funding for projects other than those having a high heritage value which might qualify for HLF funding. If the Government wishes waterway restoration to continue on the scale it has done in recent years, a further review of lottery regimes will be needed.
- BW (with TWT support) has to continue its efforts to find (a) more ways to increase the numbers of people using and enjoying the waterways, (b) ways to turn them into customers using quality facilities/attractions for which they will be willing to pay, and (c) ways to attract a wider diversity of users – targeting the non-angling urban population, ethnic minorities, people who cannot afford to own or hire boats, people who are not and never will be waterway enthusiasts but who will support waterways as a 'good thing', the young and the disengaged. None of these will be cheap and they will need to be sustained over time to allow a possible income stream to build up. However, in these areas BW can expect considerable local authority, lottery and voluntary support.
- As pointed out above, BW has, at the same time, to build further on its current initiatives to understand and respond to its existing customers and service suppliers above all boaters, hirers and other waterside-businesses, the life-blood of the waterways, but also anglers, cyclists and walkers, by easing entry into these forms of recreation, by simplifying craft licensing and other regulations wherever practicable, by partnership improvements to access and infrastructure and by other customer-focused initiatives.

5.43 In relation to funding the ambitious plans for further restorations and new waterways, BW cannot extend its liability costs beyond its statutory obligations. The system that it is managing has expanded in the last two years. This, much lauded, restoration and development work has inevitably stretched BW resources. None of the completed projects is going to be self-financing as navigations per se and must rely on funds from more diverse sources such as local authorities or property income. Statutory funding can only cover the costs of remainder waterways necessary to ensure public health, amenity and safety. BW is prudent therefore to take a more flexible view of the programming of future restorations and new waterways, proceeding where there is adequate prospective funding from third parties for both development work and on-going maintenance and either deferring others or working for restoration to more limited standards.

### **Future DEFRA grant-in-aid**

5.44 The most critical of all the income issues is to achieve a future level of UK Government grant that will allow BW to meet its target dates for eliminating the maintenance backlog on which its commercial credibility depends, to generate the economic and social benefits the Government wants, and to continue to upgrade the system it manages.

5.45 The Council agrees with BW that greater certainty in its future funding is desirable. BW has long wished to substitute some form of contract fee for the public services it provides in place of DEFRA grant under the Transport Act 1968. However, unless BW can convince the Governments (in London and Edinburgh) of the case for substituting such a fee for the current grant arrangements (the major difficulty, presumably, being to assess how the fee should be set so as to ensure value for money), BW, as a public body, will continue to be subject to the three year public expenditure review round and system of financial controls. The 1999 Framework and the current Financial Memorandum do, however, need to be kept under regular review to ensure that they provide maximum freedom to act commercially, commensurate with accountability as a public body.

5.46 DEFRA grant-in-aid of £61.6m has been allocated for 2003-04, and BW has been told it may plan on the assumption it will receive a further £61.6m in each of the following two years (the latter are indicative figures only at this stage pending a full review of all DEFRA's spending programmes). For 2003-04, BW will also receive an additional £15m ring-fenced for accelerating

maintenance and other works related to the Water Grid project. The Council is aware that the budget constraints on DEFRA are severe and this may restrict its ability to respond fully to BW's business ambitions but hopes that BW's track record of delivering, year after year, significant increases in income relative to the grant settlement and its progress in reducing the safety backlog will count heavily in its favour.

5.47 While, therefore, the Council assumes that the Government position remains, in principle, that of seeking to reduce the call on grant commensurate with making reasonable progress with the maintenance backlog and with increasing its generated income through Public Private Partnerships and other commercial ventures, it strongly supports BW in its efforts to increase grant levels to ensure that this progress can continue.

5.48 In a nutshell, the Government, having acknowledged the successful stewardship and commercial record of BW in recent years, should be prepared to increase its own investment in this success. Only by doing this, and by encouraging BW to continue to expand its business and act as commercially as possible within its public corporation framework, will its waterways move towards optimal sustainability and the country enjoy the expanding range of benefits from sustainable waterways that the Council envisaged in *An Undervalued Asset*.

## Conclusions

- **BW's business approach of developing multiple activities and uses on and around its waterways, finding and developing innovative new business opportunities, and levering in investment from sources other than traditional waterway sources and DEFRA/Scottish Executive grant, is fundamentally sound and as long as it respects the integrity of the waterways, their heritage and environment, should continue;**
- **To facilitate the integrated management of the BW non-operational estate in the long term interest of the waterways, the BW property portfolio should remain under BW control;**
- **Current efforts to expand the leisure markets for the waterways and to provide quality facilities/attractions for which customers will be willing to pay should continue as fast as resources permit subject to BW obtaining the best available advice on what it seeks to**

**provide, careful market research into competitive and affordable charging and to the fundamental need to respect the heritage and environment of the waterways;**

- **Governments in London and Edinburgh should support BW in seeking the widest possible sources of funding for all the diverse non-statutory functions that it performs, including further waterway restoration, by keeping under review relevant funding regimes, policies and programmes;**
- **Future DEFRA and Scottish Executive grant to BW should be set at a level to permit BW to meet its target dates for eliminating the maintenance backlog, upgrade the waterways it manages, and so generate the economic and social benefits of which the waterways are clearly capable;**
- **The 1999 BW Framework and Financial Memorandum should be kept under joint review by both Governments and BW to explore what additional financial freedoms, consistent with public accountability, are possible.**

