



A New Era for the Waterways

**A consultation on the Government's proposals for moving inland waterways
into a new charity in England and Wales**

**Response by the
Inland Waterways Advisory Council
(IWAC)**

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Introduction

IWAC is the statutory Council charged with giving advice to Government and other interested parties on the development of Britain's waterways.

British Waterways (BW) launched its statement "Twenty/Twenty Vision" in April 2009 and opened the debate on the possibility of a move into the third sector. From that time IWAC has been closely involved in the debate and the various consultations. IWAC published two Position Papers on the issue in 2009 and 2010 and has given both formal and informal advice to Ministers, to Defra officials and to BW.

In October 2010 IWAC summed up the consensus view at that time by stating that a Charitable Trust would have the potential to bring many advantages.

As a public corporation, BW is subject to a number of restrictions and disabilities. It cannot independently borrow money against its assets and, as a publicly funded body, is not well placed to raise money from the public by way of donations and legacies. As a third sector organisation BW could remodel its governance structure to give greater influence to local authorities and other potential partners.

Alongside this optimistic assessment has always been the fear that a new charity might not have the funding to realise its potential and, more recently, might not even have the financial strength to maintain the waterways in good order. In the past year there has been also been a growing apprehension that a new charity might, in its organisation and governance, be rather too much like BW, with too much top down control and too little participation and involvement by local communities and users.

The new charity should have the same powers and legal duties as BW but it should be noticeably different from BW in governance, culture and style. The need for this change has been endorsed by the Minister, by most waterways organisations and by IWAC. BW has been very successful in many of its activities. It has a strong engineering tradition, has managed its property portfolio with considerable success, is developing an effective environmental strategy and during the last few years has raised the profile of Britain's waterways. The new charity will need to make the most of these considerable strengths. Nevertheless, there is a strong feeling, in BW as well as elsewhere, that the new charity must be much better at involving local communities and users in decision making. To be successful the new waterways charity has to convince the public that there has been a real transfer of power and a transformation of purpose.

The Consultation document poses 29 questions and we answer almost all of them in this response. However IWAC's main purpose is to determine how far the proposals put forward by Government meet the aspirations of the many organisations and individuals who have debated the future of Britain's waterways during the past two years. Our response to that question is rather mixed. We are glad that a new charity will be formed with a clear responsibility to manage the waterway network sustainably and "in perpetuity". But IWAC expresses great anxiety about the funding of the new body and considerable disappointment that the opportunity to create a new community based organisation has not, so far, been taken. We are also anxious both about the quality of some of the preparatory work and about the absence of important information that is needed if the consultation process is to work well.

IWAC supports the creation of a waterways charity and we have based our Response on the expectation that the charity will soon be set up and start its work. However IWAC hopes that, as a result of this consultation, the Government's proposals can be improved. We have tried not only to identify weaknesses in the Government's proposals but also to suggest remedies. The creation of National Waterways Charity (NWC), as we call it for convenience throughout this Response, should provide the best opportunity in two generations to ensure that our rivers and canals are used to best effect to improve the quality of life in Britain. IWAC believes that is a moment for a thorough going change in culture, outlook and structure.

Structure of IWAC's Response

We have organised this response into 10 Sections: Principal Conclusions, Summary, Funding, Governance, Scope, Commercial Waterways, Volunteers, Remainder Waterways, Restoration and Transition. We give our responses to the Consultative document's 29 questions in the course of the themed Sections. At the end of our Response we attach 6 Appendices. For ease of reference, Appendix 1 indicates where IWAC's specific response to each of the questions in the Consultative document is located.

Section 1: Principal Conclusions

1.1 IWAC's advises that:

the New Waterways Charity will need more funds, more community-focused charitable purposes, and more local, membership-based governance structures if it is to be succeed and to achieve the laudable objectives which the Government has set out in the Consultation document.

Unfortunately:

- if the proposals in the Consultative document are implemented, the new waterways charity will be seriously under-funded for the foreseeable future; the Trustees will not have access to sufficient resources to maintain and manage the existing network in a sustainable condition;
- the Governance arrangements in the Consultative document will not produce the participation and the involvement of users and local communities in the development of the waterways that the Government and most stakeholders desire. If the proposals in the Consultative document are adopted, those major objectives of Government policy will not be achieved; and
- there is now insufficient time to complete the extensive schedule of work that will be necessary before NWC comes into existence and Government should consider delaying the Vesting Day of the new charity.

In particular, IWAC believes that:

- by adopting the present proposals the cumulative deficit in the eleven years to 2022/23 is likely to be in excess of £250million and could potentially reach £500million;
- the funding shortfall involves serious risks for the size and condition of the waterways; Defra should publish its own evaluation of the total funding requirements for the new charity over the eleven year period to demonstrate how it believes the serious downside risks can be handled and how long term sustainability can be achieved;
- the new charity needs to be established as a membership organisation, democratic in structure and outlook, and engaging with waterways communities through genuinely local committees that carry real authority;
- the new waterways charity needs to be guided by a statement of charitable purposes that is wide-ranging, imaginative and inclusive.

1.2 IWAC's Other Recommendations

IWAC recommends that:

- the process of reform that begins with the creation of the new charity should ultimately embrace the whole inland waterways sector in England and Wales. The new waterways charity should be required to review the opportunities for wider reorganisation on a stage by stage basis and to report to Government at appropriate intervals;
- the environmental advantages of waterborne freight are considerable and the creation of the charitable trust should be the moment for a policy rethink with a view to exploiting these advantages more fully in the future;
- the charity should develop a far-sighted strategy for working closely with volunteers, using expert advice on opportunities and costs;
- the important issue of navigable and un-navigable Remainder waterways should be given urgent attention so that a policy for grading and upgrading is implemented before Vesting Day;
- In the first year after Vesting Day the New Waterways Charity should prepare a policy on its attitude to, and its role in, waterway restoration projects.

Section 2: Summary

2.1 Funding

- The new waterway charity is charged with maintaining the network “in perpetuity” and, in IWAC’s view, the most important question that arises from the Government’s proposals is whether the Trustees have the necessary funds to carry out that task. The funding issue is so important that **Defra should publish its own evaluation** of the full funding needs of NWC for the period up to 2022/23.
- However, in the absence of an official evaluation, IWAC has made its own estimates and believes that the proposals set out in the Consultation document will result in the new charity being **seriously under-funded** for the foreseeable future.
- Using three models IWAC estimates that the **annual shortfall will be between £20million and £30million a year**. Over the eleven year period, after looking at the potential to improve the income and the cost base of NWC, the shortfall is likely to be in excess of £250million and could potentially reach £500million.
- IWAC’s estimates assume that **extra income** will be earned from donations, sponsorship and retail activities but IWAC takes a realistic view of the net amounts that will be earned during the period up to 2022/23, taking into account the significant effort and investment required to build up the various revenue streams.
- IWAC also concludes that, the combination of non-revenue generation assets which are highly specific to the waterways and which will be owned by a potentially loss-making entity, means that there is very limited scope for raising significant **additional funds through borrowing**.
- From the paucity of information that is available, IWAC is unable to ascertain how the **operating cost base of NWC** will vary from the base case of 2009/10 that we have used for our evaluation. IWAC is concerned that the **Impact Assessment** has been carried out without any attempt to evaluate the downside risk of the key assets deteriorating in condition and hence costing more to repair and maintain. This is a significant omission in the published documents.
- IWAC concludes that, whilst there are always opportunities to **improve efficiency**, the NWC faces significant down side risks that could wipe out any savings. In IWAC’s view, it would not be prudent to assume that any significant gain from overall efficiency in the long term would do more than partially fund the repair of the system after **collapses, breaches and other unforeseen events**.
- The estimated shortfall is massive and the likely outcome is that it will become **impossible to maintain the waterway network at its present size and condition**.
- **IWAC cannot see how the Trustees will meet the obligations set out in the Consultative document unless there are significant improvements in the funding arrangements**. The size of the potential Funding Gap is so significant that, realistically, only Government can, in the short to medium term, help to bridge the gap in any meaningful way.

2.2 Governance

- IWAC strongly supports the Government’s aims of increasing **public participation, local involvement and community engagement** in the development of the waterways.
- IWAC does **not believe that the Governance proposals in the Consultative document will deliver the Government’s objectives**. We fear that the proposals in the Consultation document, if implemented, might well result in cynicism from users and the public.
- IWAC proposes a series of substantial changes:
 1. the **statement of Charitable Purposes** should be redrafted to include a social purpose to promote social cohesion and strong commitments to community engagement, to volunteering, to wider public access to the waterways, to free public access to towpaths and to promoting sustainable waterway businesses, including tourism;
 2. **Local Waterway Community Partnerships (LWCPs)** should be established to provide genuine local involvement, a clear sense of purpose for NWC and the opportunity to mobilise the high level of interest and local support which NWC will need;
 3. The LWCPs should be **involved in strategic decisions** by making the Chair of each LWCP into a member of the appropriate second tier Business Unit Partnership Committee which would comment , amend or endorse the annual Business Unit Plan;

4. NWC should be democratic in structure and outlook and should be constituted as a **membership organisation** and the members of the new charity should have the democratic right to elect representatives to the governing body of the charity;
 5. the Council and Board of Trustees should be charged with the task of **building a substantial and diverse membership** with the objective of moving as quickly as possible to a Council made up of equal numbers of elected representatives and nominees;
 6. the Transition Trustees should make the issue of establishing and implementing a new and appropriate **culture for NWC** as one of their highest priorities.
- IWAC concludes that **the organisation structure** contained in the Consultation document does not provide sufficient clarity on the power, accountability and relationships within NWC. The organisation structure should be redrawn on the basis of the roles and responsibilities contained in this response.
 - IWAC recommends that the Trustees seek **an absolute guarantee that the appropriate level of public funding is enshrined in the legal arrangements** setting up NWC and that it will not be possible for future Governments to revoke the commitment.
 - IWAC recommends that the proposed arrangements for **Government oversight** of NWC should be published.

2.3 Scope

- IWAC considers that **reform** begun with the creation of NWC should ultimately embrace the **whole inland waterways sector** in England and Wales.
- IWAC favours a **voluntary and cooperative** approach to the restructuring of the sector and, in welcoming the Minister's decision to postpone the transfer of the Environment Agency navigations into the NWC, recommends that the merger should not take place until NWC is established as a stable and successful organisation.
- IWAC recommends that the new charity be required, in consultation with all parts of the sector, to **review the opportunities for wider reorganisation** and to report to Government at appropriate intervals.

2.4 Commercial Waterways

- IWAC notes that the **environmental advantages of waterborne freight** are considerable and should be exploited more fully in the national interest.
- IWAC is disappointed that England and Wales have failed to develop the opportunities for increasing waterborne freight in recent years, regrets that BW has scaled down its freight operation and believes that the creation of the charitable trust should be the moment for **a policy rethink**.
- IWAC accepts that the case for a **classification review** is strong but recommends that the review should be **based on a proper consideration of future needs** and opportunities.
- To ensure that the wider national interest is served, IWAC recommends that the **Government retains reserve powers**.

2.5 Volunteers

- IWAC believes that NWC should **work closely with volunteers** and should involve volunteers more closely in its operations than has been traditionally the case with BW.
- In developing its volunteer strategy, IWAC suggests that NWC uses the two **Reports on Volunteering published by IWAC and AINA**. NWC should take a professional and evidence-based view of the opportunities, benefits, limitations and costs of working with volunteers.
- Since finding adequate finance is very often a problem IWAC is strongly of the view that, for practical and motivational reasons, **locally raised funds should be spent on local priorities**.

2.6 Remainder Waterways

- IWAC recommends that the important issue of navigable and un-navigable Remainder waterways, which has been omitted from Consultation document, be given urgent attention both by Defra and by the Transition Trustees so that **a policy for grading and upgrading** is implemented before Vesting Day.

2.7 Restoration

- IWAC believes that restoration merits greater attention in the consultative period and recommends that NWC be asked to **prepare a policy** on its attitude to, and its role in, restoration projects in the first year after Vesting Day.
- IWAC is concerned that the Government's intention to simplify the planning process might **reduce the protection** accorded to viable inland waterway restoration corridors.
- A sponsor should be sought for an up to date **study of restoration projects** now that IWAC no longer has the resources to undertake the planned study.

2.8 The Transition

- IWAC is very concerned that there is **insufficient time** to complete the extensive schedule of work that will be necessary before Vesting Day. Decisions may be rushed, necessary preparatory arrangements may not take place and important issues could be overlooked. IWAC believes that Government should consider **delaying Vesting Day**.
- The schedule of work that needs to be completed in the next 9 months include:
 - substantial **changes in the Government's proposals**. The Transition Trustees will need to assess the proposals, make recommendations to Government, produce a plan and implement the major provisions;
 - within BW, an intensive programme of **communication and training**; staff are entitled to be consulted on a wide range of issues;
 - time-consuming and demanding discussions with **the Charity Commission**.
- IWAC also believes that the necessary transitional arrangements are likely to **cost much more than the allocated sum of £1.5million**.

Section 3: Funding

3.1 Introduction: the Risks

In addressing the issue of funding, IWAC's main objective is to establish whether, under the conditions laid out in the Consultation document, there is a reasonable prospect that the suggested funding arrangements for NWC will be sufficient to meet the purposes of the new charity as determined by the Parliamentary Under-Secretary for Natural Environment and Fisheries (the Minister).

The Government's contention is that the policy proposals in the Consultative document and, the funding arrangements announced by the Minister would enable the existing network to be maintained at broadly the same level of service and supply as at present. This is the key issue which IWAC addresses in this Section.

Underfunding the waterways is likely to have grave consequences. IWAC explored the possibility of a substantial shortfall in funding in the 2010 Report, *Surviving the Cuts and Securing the Future*. Our depressing conclusion was:

“Substantial reductions in funding will have a long term detrimental impact on the condition of the network, and will very likely lead to reduced standards of service provided to users, such as deterioration or loss of towpaths as footpaths, and over time to the loss of some existing waterways. This bleak outcome is particularly likely if serious breaches and collapses occur and, against the background of funding cuts, funds for repairs cannot be found.”

Insufficient funding will lead to reduced public benefits for all users of the network: recreational opportunities will reduce, access will decline, historic buildings and structures will deteriorate, land drainage will be compromised and, instead of being a valued feature of British life and landscape, the waterways might increasingly seem like an assembly of neglected relics.

3.2 The Government's Objectives

In the introduction to the consultative document, the Parliamentary Under-Secretary for Natural Environment and Fisheries states that the Government proposals will:

“.....ultimately improve the long term financial sustainability of the network.”

This intent is endorsed in section 2.5.1 where it is asserted that the Trust Declaration will require:

“..... the waterways to be protected and sustainably managed in perpetuity.”

It is clear that these requirements relate to the entire network that will be transferred to NWC and are absolute; there is no qualification such as “as far as available funds permit”. So in accepting this mandate, the Trustees of NWC (both Transition and Permanent) will need to be satisfied that they will have access to sufficient funds to enable them to discharge their responsibilities in full and in perpetuity.

This Section explores whether it can be reasonably expected that the Trustees will have sufficient funds to discharge their responsibilities. Our review covers the period from April 2012 when, according to the Consultation document, the Trustees are expected to assume full responsibility until the end of the period covered by the funding commitment by Government (31 March 2023) - an eleven year period.

3.3 A Strategic Plan

The viability of the proposals contained in the Consultative document could be more easily assessed had Defra published a Strategic Plan covering the full eleven years under review. The level of detail required for such a plan would need to be sufficient to ensure that the key assumptions are seen to be valid. In particular, a Strategic Plan would need, first, to evaluate the likely levels of funding required to achieve NWC stated objectives and, second, to identify how the required funding will be sourced.

As far as IWAC is aware, no Strategic Plan which establishes the funding necessary to fulfil the objectives stipulated by Government has been prepared for NWC. IWAC regards this as a serious omission. A strategic change in the ownership and operation of a major national asset is being contemplated and the British public is entitled to know whether the new charity has sufficient funds to maintain the waterways in good order for the

nation. This omission needs to be corrected and IWAC proposes that, as a matter of urgency, Defra publishes an evaluation of the full funding needs of NWC for the period up to 2022/23.

3.4 IWAC’s Evaluation

In the absence of a Strategic plan, we have carried out our own, high level assessment of the funding which will be required to meet the objectives set by the Minister and by the Trust Declaration. IWAC has relied on published information and on information supplied by Government and by British Waterways, some of which was collected for the Funding Report, *Surviving the Cuts and Securing the Future*, which IWAC published in 2010. In addition, we have relied on the considerable experience available within the Council from members with very diverse backgrounds and professional experience.

Our evaluation covers the eleven year period from 2012/13 to 2022/23 - the period over which Government has made certain commitments on funding support to NWC. We seek to establish whether the financial commitments made by Government together with the potential for additional income and improved efficiency would enable NWC to operate at, or close to, breakeven level.

We have based our estimates on the Operating Profit/Loss line in the BW accounts recognising that the figures below that line can vary significantly from year to year. We have focused on the total, cumulative requirement for funding over that period.

As a basis we have used the last publicly available data published in the British Waterways accounts for 2009/10. These are:

Table 1 British Waterways Results England and Wales only 2009/10*	
	£million
Total Income	110.7
Operating Expenditure	174.4
Net Deficit	(63.7)
Government Grant	58.4
Operating Loss	(5.3)

*Source – Published Accounts

We recognise that, with the lack of fully definitive information on future cost and income levels in the Consultation document or elsewhere, there can be no precise statement on future funding requirements. We have, therefore, looked at a range of possible assumptions focusing particularly on a range of possible cost assumptions associated with the required level of investment to maintain the network in a sustainable condition.

Although we have accepted, for the purposes of this evaluation, the baseline level of funding provided by Government to BW in 2009/10, it should be noted that this figure was actually less than the average funding awarded to BW in the three years to 2009/10. Our calculations recognise that this level resulted in an operating loss for the period.

3.5 The Funding Gap

For understandable political reasons, there is no agreement between Government and BW about the funding requirements of the new charity and about the size of the funding gap that needs to be bridged by Government grant.

In the three years to 2009/10 BW received on average GiA of £59.2million. During that period, BW made it clear that the amounts they were receiving from Government were inadequate to meet their objective of

maintaining the waterways in good order for the future. As a result, BW commissioned the consultants KPMG to prepare a report on BW’s financial position. The consultants reported in 2008 that, in relation to the BW’s steady state model of financial requirements,

“the funding gap is significant and likely to grow – we estimate it to be at least £29million per annum”

The KPMG report was welcomed by BW and Tony Hales, the BW Chairman and who is now Chair of the Transition Trustees of the new charity, commented:

“The KPMG review ...underlines the financial challenges that lie ahead and gives us a platform on which to build our future business strategy.”

In 2008/09 Government Funding of British Waterways operations in England and Wales was £62.7million. If the funding gap identified at that time by KPMG had been made good by Government this would have implied the need for public funding of over £90million per annum.

In the three years since the KPMG Report was published some officials in Defra have suggested that the £29million Funding Gap disclosed by KPMG was an overstatement of the true position. IWAC has seen no evidence to support that contention and suggests that the KPMG Report, as the only external examination of BW’s financial position published in recent years, should be taken seriously.

Nevertheless, as shown in Table 1, in the year 2009/10 BW’s grant from Government was cut to £58.4million and although Defra officials maintained that this was sufficient to meet BW’s needs, a deficit of £5.3million resulted.

This brief analysis of recent funding decisions by Government suggests that there are three possible models which might be used to determine the funding gap. They are:

1. that the KPMG report was correct and that the funding gap, after receipt of Government grant, amounted to about £29million a year;
2. that the KPMG report overstated the funding gap, and perhaps the correct figure was only half as large as KPMG suggested, say £15million;
3. that no funding gap existed of the nature and size that KPMG suggested and that BW’s breakeven figure was as shown in BW’s 2009/10 Accounts.

Using these three illustrative models the funding gap, before additional income is taken into account, would range between £63.7million and £92.7million as follows:

Table 2 Funding Gap Prior to Additional Income			
	model 1	model 2	model 3
	£million	£million	£million
The 2009/10 level of funding	58.4	58.4	58.4
The Operating Loss	5.3	5.3	5.3
The “KPMG Funding Gap” and alternatives	29.0	15.0	0.0
Total Potential Annual Funding Requirement	92.7	78.7	63.7

There are sizable gaps between these three figures and their divergence demonstrates the need for Defra to publish its own calculations.

3.6 Government Funding

IWAC notes that, in paragraph 4.3.26 of the Consultation document, the Government has made a public funding commitment of £39million per annum for the period from 2012/13 to 2022/23. This commitment of £39million falls well short of the funding gap figures (between £63.7million and £92.7million) given in Table 2

above. If no other sources of income or cost efficiencies are found, this shortfall will accumulate over time and over the eleven years would amount to between £271.7million and £590.7million. These are massive sums.

IWAC notes that there is no indication that the Government's figure of £39million has been arrived at by the application of any funding principles.

In our report on the funding of the inland waterways in England and Wales, *Surviving the Cuts and Securing the Future*, published in September 2010, we argued that:

“there is a strong case for public funding for the sector, and this should be based on the key funding principles identified in the report”

IWAC is disappointed that the Government has not followed our advice on this important issue.

3.7 Financial Opportunities

The Consultative document suggests and assumes that the Trustees of NWC will be able to find extra revenue beyond that earned by BW. So, in the next part of this Section, we explore the potential for NWC to find extra income as attempts are made to fill the funding gap. We start by considering what role borrowing might play in NWC's future operations.

3.7.1 The Potential for Additional Borrowing

If any of the figures listed above are even broadly correct, the Trustees will face a financial shortfall that will grow very rapidly. There have been some suggestions that, with freedom from the financial constraints that applied to BW, the new charity might borrow against its assets to make up part of the shortfall.

As a public body, BW has, to a certain extent, been restricted in the amount of borrowing it has been able to undertake. However, non-operational assets such as pieces of land close to canals have been used for development such as for housing and marinas. These developments have been undertaken in joint venture arrangements with the private sector and in this context BW has not been significantly constrained by public expenditure rules. So, our conclusion is that as far as non-operational assets are concerned, the restrictions on borrowing have not been as serious as some commentators have suggested. On that basis, it is hard to understand how a move to charitable status will greatly increase the level of additional borrowing through the use of non operational assets compared with its existing capability.

Operational assets for the waterways such as canals, lock gates, bridges and viaducts etc are in a different category. However if NWC tries to borrow against these assets two problems arise. In the first place, these assets do not obviously appear to be the kinds of assets against which there could be significant, if any, opportunity for additional borrowing. The second problem is critical. If, as appears likely, NWC will be loss-making for some time to come large scale borrowing from wider financial sources seems improbable particularly in the current, uncertain, global economic situation.

IWAC concludes that, the use of non-revenue generation assets which are highly specific to the waterways and which are owned by a potentially loss-making entity, will mean that there is very limited scope for raising additional funds through borrowing. Furthermore, borrowing is unlikely to address in any significant way the size of the funding gap indicated above. The yield from additional borrowing will vary by factors which are mostly out of NWC's control and the yield is likely to be of a size which will not have a significant impact on the size of the likely funding gap.

3.7.2 The Potential for Increased Income

The Consultative document and the Impact Assessment suggest that NWC will be well placed to increase its income from a variety of sources. Unfortunately, whilst the Consultative document considers the possibility of new income from certain sources such as donations, it makes little attempt to evaluate the potential increase in income from other activities and sources.

IWAC addressed these issues in the 2010 Funding Report. We have reviewed and updated our conclusions in this response to the Consultative document. We provide details of our findings in Appendix 2. In summary we find that:

- licence fees should keep pace with inflation and should reflect cost rises within the navigation authority, but a policy of increasing licence fees well above inflation is not a reasonable way of closing the funding gap;
- it would not be prudent to assume any significant increase in income from the property portfolio over the medium term. Indeed, in the immediate future, the challenge for the Trustees of NWC will be to achieve some recovery in income from property;
- in view of the severe restraints on funding currently being experienced by local authorities, it would be unwise to assume any increased revenue from that source for the foreseeable future;
- IWAC supports the principle that NWC should pursue the opportunities for increased revenue from a variety of activities. Additional funding will, however, only be achieved at a cost. We have sought independent expert advice on the level of cost necessary to increase income and we have concluded that it would be prudent to allow for an annual investment equivalent to 25% of the planned amounts to be raised. This percentage level of cost would only be achieved after several years of investment. In the intervening period the percentage would be considerably higher – in the very early period potentially approaching 100%;
- the total additional income projected in the Consultation document from Voluntary Income and Donations is between £8 and £10million per annum by 2021/22. IWAC considers that, even if NWC becomes a membership organisation with the resulting fund-raising opportunities referred to in Section 4 below, these estimates are too optimistic and that a possible potential additional gross income, before the substantial costs of fund-raising are taken into account, is unlikely to exceed £5million a year, and this level would require several years of sustained effort to achieve;
- IWAC believes that some sponsorship income should be possible. However BW has been sceptical about the opportunity to attract sponsorship, having apparently tried and failed to find sponsors in the past. IWAC has not been able to examine the details of that abortive initiative and therefore cannot be definitive on the likely potential for increased income. IWAC believes, however, that there is potential for sponsorship but, in view of BW reservations, it would be prudent not to assume that additional income, before costs, would exceed £2million from this source;
- NWC should strive to gain direct financial benefit from the efforts that it makes to increase the use and enjoyment of the waterways by increasing its income from retail activities. However the extra income in the medium term from retail activities is unlikely to be large. IWAC believes that it would not be prudent to assume additional income of more than £3million, before costs, from this source.

In summary, IWAC believes that there is potential to increase revenue from other sources although this will require initial and ongoing investment. We consider that it would not be prudent to anticipate that benefit from these sources of funding will exceed £7.5million per annum net of costs. Even this level of contribution will only be achieved after a significant period of effort and investment devoted to building up the various activities – a period during which the net benefit will be considerably lower.

3.8 Financial Challenges

While assuming an increase in income the Consultative document gives much less attention to the financial threats to the new charity.

3.8.1 The Operating Cost base of NWC

IWAC recognises that considerable efforts have been made by British Waterways to improve efficiency and to reduce costs. IWAC supports these efforts but the effect of these reductions in expenditure should be carefully evaluated as part of a sober consideration of the cost base of the NWC. Unfortunately the Consultation document and the Impact Assessment give almost no information about the likely cost base of the NWC.

Even more worrying is the rather cavalier treatment that the Consultative document gives to any suggestion that costs might rise. In paragraph 4.6.5 British Waterways projects that, with only £39million a year in public funding:

“...the proportion of its navigation assets in poor (Grade D) or very poor condition (Grade E) will rise from less than 20% currently to 40% by 2032”

This is followed by a claim in paragraph 4.6.7 that the creation of the charity could radically alter this projection. It states that:

“...creating the charity would make it possible to shift these curves

(of asset profile and cost of maintenance) down to more sustainable levels, depending how much new resource the charity could bring in.”

No proposals are given to support this contention. It is interesting to note, however, that the Consultative document has recognised that new resources beyond the proposed public funding support will be required to maintain the assets at sustainable levels.

The problems may well be exacerbated by the effect of external cost drivers. Box 4M in the Consultative document lists external factors which could have a devastating effect on the viability of NWC. For example, the recent breach at the Monmouthshire and Brecon Canal cost over £7.5million to repair and it might cost as much as a further £7million to repair the weaknesses uncovered in the subsequent investigation.

With the paucity of information that is available, IWAC is unable to ascertain how the operating cost base of NWC will vary from the base case we have used for this evaluation, namely the BW 2009/10 level. IWAC concludes that, whilst there are always opportunities to improve efficiency, there are significant downside risks which would swamp the savings made. It would not be prudent to assume that any significant gain from overall efficiency in the long term would improve NWC's financial position in view of the uncertainty caused by the costs of collapses, breaches and other unforeseen events.

IWAC is concerned that the Impact Assessment has been carried out without any attempt to evaluate the downside risk of the key assets deteriorating in condition and hence costing more to repair and maintain. This is a significant omission in the evaluation of the proposals. IWAC therefore recommends that the Strategy that we urge Defra to prepare should contain an analysis of the actions that are most likely to be taken by NWC in consequence of facing such downside risks and such possible funding shortfalls.

We also note that, surprisingly, there appears to be no evaluation of the cost of the proposed new governance arrangements

3.8.2 Pensions

IWAC understands that the regular triennial review of the Pension Fund will shortly be concluded. After allowing for benefit changes the deficit is expected to be about £70m, compared with the previous year's £95m. IWAC cannot find any reference to this deficit and its effect on the NWC in the Impact Assessment. This is a surprising and regrettable omission. The Transition Trustees should give early consideration as to how this significant deficit should be handled and how that will impact on the viability of NWC.

3.8.3 Transition Costs

IWAC considers that the transition costs appear to be underestimated. £1.5million in one year is a low figure for a budget that will cover all professional costs, branding costs, and the extensive human resource cost including the cost of the training referred to below. We consider this issue further in Section 10.

3.8.4 The Environmental Agency Navigations

In 2014 consideration will be given to the possible merger of the navigation activities of the Environment Agency (EA) with the new charity. These EA assets will bring with them additional funding issues which are not addressed in the Consultation document.

3.9 The Financial Problems facing the Trustees of NWC

From this assessment of the financial position of NWC, IWAC concludes that the Trustees will face serious financial problems. The cut in public funding will leave a significant funding gap which increased income will not fill. In addition there are significant downside problems which should have been recognised in the Impact Assessment and which will exacerbate NWC's financial problems.

Without additional information and in the absence of a Strategic Plan, which we believe Defra should produce IWAC cannot be precise about the size of the financial problem facing the Trustees. However, on the basis of the assessment in this Response, we believe that the problem is likely to be very serious.

In paragraph 3.5. above we set out three models which we used to assess the size of the funding gap, before additional income. Bringing together our thinking as detailed in the preceding paragraphs, we find that the annual Funding Gap for each model could be:

Table 3			
The Impact of Additional Income on The Potential Funding Gap*			
	Outcome from model 1	Outcome from model 2	Outcome from model 3
	£million	£million	£million
Annual Potential Funding Gap (from Table2)	53.7	39.7	24.7
Potential Improved Income from:			
Donations and Legacies	5.0	5.0	5.0
Sponsorship	2.0	2.0	2.0
Retail Activities	3.0	3.0	3.0
Associated Costs for additional fundraising at say 25% of income raised	(2.5)	(2.5)	(2.5)
Net Annual benefit from potential additional income	7.5	7.5	7.5
Potential Annual Funding Gaps recognising potential additional income	46.2	32.2	17.2
Potential Cumulative Funding Gaps over the period 2012/13 to 2022/23	508.2	354.2	189.2
<p>*This table shows peak additional net income – it does not reflect the build up of net income referred to above</p> <p>*The evaluation assumes that, as discussed above, expenditure efficiency gains, including relief from Local Authority rates, will be more than offset by unquantifiable excess costs associated with the condition of the network, pension deficits, transition costs and other unidentified liabilities.</p>			

IWAC stresses that these outcomes are not equally likely. The model 3 figure is based on what IWAC believes to be very optimistic assumptions about the funding needs of the network. A measure of optimism is also built into each of the models: the extra income will only be achieved after considerable effort and probably not until the latter part of the period under review. The time taken to build up the additional revenue could well mean that the actual Cumulative Funding Gap will be higher than shown in the Table.

IWAC considers that it would be prudent to assume that, based on the proposed level of public funding support from Government, the annual deficit is likely to be in the range £20million to £30million towards the end of the review period and that in the early years it will be considerably higher. Over the eleven year period the Potential Cumulative Funding Gap is likely, even on a conservative calculation, to be well in excess of £250million.

As we have explained throughout this Section, the funding shortfall will accumulate over time. In our view the funding shortfall is likely to be so large that it will become impossible to maintain the waterway network at its present size and condition. Without adequate funding one or more of the following network changes will need to take place:

- maintenance and operational standards declining leading to a poorer general level of service for users and the public at large;
- the network shrinking in size, most likely in the non-central parts where usage is least intense and/or costs are higher;
- unexpected catastrophic events, such as tunnel collapses and canal breaches, not being rectified. The consequence of this would be that parts of the network would have to be closed with the knock-on implications for public use and revenues.

These and related issues will determine the long term viability of NWC. There are many other areas, however, which will have a bearing on the adequacy of the proposed funding arrangements. Decisions to reduce costs could also reduce income. If NWC decides to reduce service levels, the likely result would be reduced revenues to the charity, thereby hampering overall progress.

IWAC cannot see how the Trustees will meet the obligations set out in the Consultative document unless there are significant as yet undemonstrated improvements in the funding arrangements. The size of the potential

Funding Gap is so significant that, realistically, only Government can, in the short to medium term, provide the funds to bridge the gap.

Conclusions and Recommendations

- The Trustees of NWC (both Transition and Permanent) will need to be satisfied that they will have access to sufficient funds to enable them to discharge their responsibilities in full and in perpetuity.
- IWAC proposes that, as a matter of urgency, Defra publishes an evaluation of the full funding needs of NWC for the period up to 2022/23.
- In the three years since the KPMG Report was published some officials in Defra have suggested that, although a funding gap existed in 2008, the £29million Funding Gap disclosed by KPMG was an overstatement of the true position. IWAC has seen no evidence to support that contention and suggests that the KPMG Report, as the only external examination of BW's financial position published in recent years, should be taken seriously.
- On the basis of the three models described in this Section IWAC concludes that, over the eleven year period, before looking at the potential to improve the income and the cost base of NWC, the funding gap could well be in excess of £200million and could potentially be in the range £300million to £500million.
- IWAC is disappointed that the Government did not take IWAC's advice on the use of Funding Principles when considering the level of support for NWC for the next eleven years.
- IWAC concludes that, the combination of non-revenue generation assets which are highly specific to the waterways and which are owned by a potentially loss-making entity, there is very limited scope for raising additional funds through borrowing.
- IWAC believes that there is potential to increase revenue from other sources although this will require initial and ongoing investment. We believe that it would not be prudent to anticipate the benefit from this source of funding to exceed £7.5million per annum net of costs and that this level of contribution will only be achieved after a significant period of effort and investment devoted to building up the various activities – a period during which the net benefit will be considerably lower.
- With the paucity of information that is available, IWAC is unable to ascertain how the operating cost base of NWC will vary from the base case we have used for this evaluation, namely the BW 2009/10 level. IWAC concludes that, whilst there are always opportunities to improve efficiency, there are significant down side risks which would swamp the savings made.
- IWAC is concerned that the Impact Assessment has been carried out without any attempt to evaluate the downside risk of the key assets deteriorating in condition and hence costing more to repair and maintain. This is a significant omission in the evaluation of the proposals.
- IWAC propose that the Transition Trustees should give early consideration as to how the Pension Fund Deficit should be handled and how that will impact on the viability of NWC.
- IWAC considers that the transition costs appear to be underestimated. £1.5million is unlikely to cover all professional costs, branding costs, and extensive human resource costs, including the cost of the training.
- IWAC considers that it would be prudent to assume that, based on the proposed level of public funding support from Government, the annual deficit is likely to be in the range £20million to £30million towards the end of the review period and that in the early years it will be considerably higher. Over the eleven year period the Potential Cumulative Funding Gap is likely to be in excess of £200million and could be as high as £500million.

- The funding shortfall will accumulate over time and it is IWAC's view that the funding shortfall is likely to be so large that it will prove impossible to maintain the waterway network at its present size and condition.
- IWAC cannot see how the Trustees will meet the obligations set out in the Consultative document unless there are significant, as yet undemonstrated, improvements in the funding arrangements. The size of the potential Funding Gap is so significant that, realistically, only Government can, in the short to medium term, help to bridge the gap to any meaningful extent.

Section 4: Governance

4.1 Public involvement and Community Engagement

The creation of a waterways charity should give the people of England and Wales the feeling that they are more closely involved in the development of the waterways. The communities who live close to our rivers and canals and the millions of users should have the opportunity for a deep and personal involvement. In the introduction to the Consultative document, the Parliamentary Under-Secretary for Natural Environment and Fisheries (the Minister) gives strong endorsement to these principles. He writes that the proposals will:

“give waterways’ users and the communities that live alongside of them a greater involvement in how they are managed.”

The Consultation document goes on to say that:

“the key challenge is to have a governance framework that promotes a national outlook with local focus, and accommodates great diversity of stakeholders.”

IWAC strongly supports the Government’s aims of increasing public involvement and engagement with local communities and waterway users. Indeed we believe that the success or failure of the new charity will depend on whether these aims are achieved. In this Section we examine the Governance arrangements set out in the Consultative document to determine whether they are likely to deliver the substantial improvements that the Minister, supported by IWAC and most waterway stakeholders, has set as Government objectives.

4.2 Purpose and Vision

In spite of the suite of descriptions of the role of the new body for different purposes in the Consultative document, none of these captures the purposes in a way that provides an adequate framework for many of the challenges the NWC will face.

At present:

- the Trust Declaration seems too limited as a basis for transferring state assets. For example, it does not require that the NWC should have social purposes and, although it properly requires that the waterways be protected “in perpetuity”, it does not provide for the maintenance of navigation and the connectivity of the waterway networks;
- the draft statement of Charitable Purposes describes some functions without being clear about objectives, fails to address some important issues and fails to provide a framework for balancing interests; and
- the suggested Mission Statement, Value Statement and Vision offer a rather confusing array of sound-bites and slogans for employees and supporters but do not appear to follow logically from, and be embedded in, the Statement of Charitable Purposes.

IWAC believes that the most important document is the over arching statement of Charitable Purposes for the NWC. This statement should incorporate the requirements of the Charity Commission and of the Trust Declaration., it should include the legacy of duties derived from BW’s statutory duties and it should make a clear declaration of what the public should expect from the new charity. In this Response we concentrate on that statement of Charitable Purposes because, if that statement is adequately drafted, NWC will have a sound basis for developing a vision statement to inspire its staff, its volunteers and the wider community.

4.3 The Statement of Charitable Purposes

IWAC accepts that the primary purpose of the new charity is to keep the rivers and canals in good order so that navigation is safeguarded and the connectivity of the various networks is maintained. IWAC is reassured to see that this principal purpose is given due importance in the draft statement of Charitable Purposes in paragraph 2.6.4 of the Consultative document. However the draft suggested in the Consultative document fails to include a number of other important objectives that are vital if the new charity is to be different in culture and performance from BW.

In view of the unambiguous statements by the Minister, IWAC expected the proposed statement of Charitable Purpose in the Consultative document to make strong commitments to community involvement and to volunteering. Curiously the draft statement of Charitable Purpose in the Consultative document does neither. This cannot be an oversight. In 2010 British Waterways published a statement suggesting a list of charitable objectives for the new body which included both of the missing commitments. IWAC cannot find any satisfactory explanation for their exclusion from the draft in the Consultative document and believes that they should be reinstated.

NWC should of course be required to provide the widest possible access to the waterways, so that people of all ages from all classes and all ethnic communities, including people with disabilities, can experience the quiet enjoyment of our rivers and canals. In the Consultative document the Minister commits the Government to safeguard free public access to towpaths. This is a fundamental right of great importance that IWAC gives strong support to this guarantee. However, on a drafting point, we noted in our Report, *Waterway Paths* that not all waterside paths are towpaths and some paths meander from the water's edge. The references should therefore specify "free public access to towpaths and other waterway paths".

Good access arrangements are essential but IWAC believes that the new charity should have a more ambitious social purpose. In 2009 IWAC published *Using the Waterways to combat Social Exclusion*. Our Report demonstrated that with imagination and commitment our rivers and canals can be used to transform the lives of disadvantaged individuals and to promote social cohesion. Since our Report was published many opportunities have opened up, including the use of training in waterway skills to assist the rehabilitation of wounded soldiers. Regrettably such noble opportunities can often be disregarded in the pursuit of more mundane management outcomes. IWAC has noticed with concern that during the recent review of licence fees the charges to community boat clubs, which have such an important role in advancing the social agenda, have increased by very large amounts. IWAC trusts that this problem can be resolved very quickly and that a clear statement in the Charitable Purposes of NWC will prevent the new charity repeating BW's mistake.

Surprisingly, in view of the need to engage with all parts of each local community, the statement of Charitable Purpose in the Consultative document makes no mention of trade and industry. The Government's commitment to expanding tourism and the visitor economy would be reinforced by a clear reference in the statement. We suggest these concerns are addressed by broadening the reference to "resource use and management" which appears in the Consultative document to "encouraging sustainable use and investment by businesses with an interest in waterways and their natural resources". This, coupled with a more positive purpose "to promote and enhance opportunity for enjoyment" and a purpose "to enable community involvement", should better reflect the aspiration to engage partners working to promote the visitor economy and other business partners who are not just concerned with using natural resources.

As with any organisation involved with managing enjoyment of places that can be rich in wildlife and that attract a wide range of recreational users, balances will need to be struck between conservation and recreation and between types of recreation. IWAC's Report, *Balancing the Needs of Navigation and Aquatic Wildlife*, demonstrated that, in most cases, management plans for waterways could adequately cope with multiple uses and that restricting navigation to some extent (such as limitation on boat movements, speed or design) would only be necessary in a small number of instances. Conflicts between different users are likely to be more common. Hence, it is suggested that an appropriate test for waterways should be:

"Potential conflicts between conserving wildlife and promoting recreation, or between recreational uses, will, wherever possible, be managed to enable continuing opportunity for enjoyment by a broad range of recreational and leisure users who value the special qualities of the waterways."

This includes a strong presumption in favour of recreation, a clear message that sharing is expected and also, importantly, a link to appreciation of the special qualities of the waterways which can help to focus minds on the need for accommodation when sharing a resource whose qualities will be spoilt for all if that resource is over-exploited.

If these changes were made, the Charitable Purposes of NWC would be drafted as follows:

The New Waterways Charity will:

- **own, operate, manage and support inland waterways in England and Wales for public benefit on behalf of the nation;**
- **conserve and enhance the built, designed, natural and cultural heritage of waterways and their associated features;**

- **preserve and enhance the availability of waterways for navigation;**
- **promote opportunity for the understanding and enjoyment of the special qualities of the waterway network and its adjoining land corridors;**
- **use waterways to promote social cohesion with a view to improving the quality of life of people of all ages, including particularly people with disabilities and those facing social disadvantage;**
- **encourage sustainable use and investment by businesses with an interest in waterways and in their natural resource for the development of commerce, tourism and industry in the public interest; and**
- **enable community involvement across society.**

In pursuit of these purposes the Trust will:

- **hold and sustainably manage in perpetuity, and operate for public benefit, formerly state-owned waterways taking proper account of local social, economic and environmental interests;**
- **encourage, undertake and assist in restoration of waterways, regardless of ownership, to ensure their safety and structural integrity and to enhance the network of navigable waterways;**
- **promote appropriate regeneration along waterway corridors;**
- **encourage and facilitate a broad range of recreational and leisure uses by the public to improve health and well-being;**
- **facilitate access to the waterways by people of all ages, from all classes and all ethnic communities, including people with disabilities;**
- **be able to charge for sustainable water abstraction, discharges and energy capture, make reasonable charges for boating, fishing and other uses but not charge for public access to towpaths and other waterway paths;**
- **protect and safeguard the natural environment and landscape character of waterways and adjoining land corridors;**
- **educate the public about inland waterways using all appropriate means including the provision of museums;**
- **encourage volunteering; and**
- **adopt a long term perspective including taking full account of climate change.**

Potential conflicts between conserving wildlife and promoting recreation, or between different recreational uses, will, wherever possible, be managed to enable continuing opportunity for enjoyment by a broad range of recreational and leisure users who value the special qualities of the waterways.

IWAC believes that this draft would give NWC a mandate which is wide-ranging, imaginative and inclusive.

This statement should also be used as the starting point for the development of a Vision statement by NWC after full consultation with local communities, users, other stakeholders and, of course, staff. If the Vision statement is, like the draft statement of Charitable Purposes suggested above, both imaginative and inclusive, and if it commands wide support, IWAC can see little point in drafting separate Belief and Mission statements.

4.4 Proposed Governance Structure

Before considering the roles of the constituent parts of NWC, IWAC needs to comment on the proposed structure for NWC as depicted in Box 3B of the Consultative document. Whilst some of our concerns may be issues of presentation, we believe that the structure as depicted raises some important questions of organisational principle.

IWAC believes that:

- the structure must be designed to achieve the objectives of the organisation;
- the structure must be clear and the relationships between the various parts of the structure must be unambiguous;
- the reader must be able to understand who is responsible for what, how the lines of accountability operate and whether the powers and relationships are advisory or executive.

IWAC does not believe that the structure as depicted in Box 3B achieves these principles. Our specific concerns are:

- the message conveyed by the arrows is of a top down ethos which is incompatible with the required culture of local involvement;
- there is no provision for membership or for the democratic accountability that exists in a membership organisation;
- the relationship between the Council and the Board of Trustees is not clear. It appears to be a one way relationship whereas the subsequent paragraphs suggest a two way communication;
- the role of the Board of Trustees in relation to management is unclear and this is particularly true of the Board's role in respect of the Commercial Subsidiary;
- the Local Partnerships appear to have only a consultative role with no involvement in the management of NWC at Business Unit level and no guaranteed place in the development of local strategy. (We return to this fundamental point in a fuller discussion below);
- the Appointments Committee and Scrutiny Committees are omitted from the chart. The presentation of the structure should clarify their relationship to other parts of the structure.

In the following paragraphs IWAC proposes a rather different structure for NWC which is clearer and would ensure that the new charity is founded on the principles of public participation and community involvement.

4.5 Changing the Culture and Management Style

The task facing the transition Trustees and NWC as a whole is to transform a public corporation which exercises strong central control into a charitable body with a more participative style and which is committed to the devolution of decision-making and to local involvement. Changing the culture of any established organisation is extremely difficult and the task will require early and major changes in how the business is managed.

In the IWAC report on the funding and structure of the inland waterways in England and Wales, *Surviving the Cuts and Securing the Future*, we put forward proposals for a reorganisation of the whole inland waterway sector. A fundamental principle which informed our recommendations was that a highly decentralised style of management was needed with minimum resources devoted to central activities and maximum resources devoted to work on the ground. The Consultation document is largely silent on this issue – there is no recommendation about the role of the Central Management Unit or the Business Units.

NWC will need to learn from the valuable experience of the Waterways Trust (TWT) and organisations in the third sector and construct its management arrangements accordingly. Much activity and effort within the National Trust is driven from local and specific locations. In the RSPB, individual nature reserves are the focus for involvement and activity. In the waterways sector, the Renaissance Awards, brainchild of TWT, has shown how a focus on local achievements can mobilise local groups and drive best practice. These arrangements succeed because local communities relate to the attractions and activities in their area.

The Government has decided to adopt a stage by stage approach to the transfer of businesses to NWC and this approach has many advantages. However the associated problems should be acknowledged. TUPE will of course apply and there is a strong possibility that BW managers will take BW's normal management style into the new charity, creating even greater barriers to a change in culture. For example, some BW managers may have difficulty in coping with the degree of local discussion and involvement that an effective local partnership structure would inevitably involve. Others might resent the time that would have to be given to community engagement. Some managers in support activities might even assume that the change in BW's status will not affect them and that their work will continue much as before. A great deal of discussion and training will be necessary to persuade BW managers that the change to a much more participative style is not just a desirable option but is crucial to the success of the new charity.

The attitude of the Board of Trustees will be very important. The true test of whether a new culture is being introduced will be whether the Trustees behave as if they regard greater participation and local involvement as time consuming irritations or whether they are seen to value local committees as sources of local intelligence, local support, local activity and, of course, local fundraising.

IWAC hopes that the transitional Trustees will quickly recognise the extent of the changes that NWC will have to make and institute a comprehensive programme of internal communication and training in the new skills that will be needed by the new charity. As we have already noted in Section 3 and explain further in Section 10 the budget earmarked to pay for the transition from BW to NWC has been set too low. Unless the right level of investment is made in the management and staff of the new charity, the project will founder.

A change in the structure of management which pushes responsibility and accountability as far down the management line as possible would make a significant contribution to achieving the necessary change in culture. Increasing the authority of local management and promoting a management style which is receptive to ideas that come from outside the organisation will also encourage other navigation authorities to forge partnership links and perhaps even negotiate merger arrangements with NWC.

IWAC recommends that the Interim Trustees take the issue of establishing and implementing an appropriate culture for NWC as one of their highest priorities.

4.6 Local Engagement

IWAC welcomes the commitment in the Consultative document to establishing local committees but we have significant reservations about the nature of the so-called Local Partnerships described in Chapter 3. We do not believe that the Committees and structures suggested will achieve the local involvement and community engagement that the Minister has set as important objectives for NWC.

4.6.1 Local Partnerships

BW operates through eleven Business Units in England and Wales. Each of these Business Units cover such large geographical areas and so many different waterways that they are really Regional in extent and, to more accurately reflect their scope of responsibility, should properly be described as Regional Business Units (a term we use in the remainder of this response).

We understand of course that, for effective management of the waterway network, it is impractical to divide England and Wales into too many discrete operational areas. However, to regard Partnership Committees based on these large (Regional) Business Units as in any way “local” is a major mistake. The Partnership Committees described in the Consultative document would typically cover scores of local communities, a number of local authorities and several different waterways. They would have little chance of capturing the interest and support of local people and local groups.

We already have some practical experience of this problem. The pilot scheme on the Kennet and Avon Canal (K&A) included Somerset’s isolated Bridgwater and Taunton Canal. The local communities alongside the Bridgwater and Taunton Canal have made it clear that they felt no common purpose with communities that live along the K&A. IWAC believes that the proposals in the Consultative document should be substantially improved so that the local committees are not regarded as some arbitrary imposition from above but can be seen as part of the Government’s policy to promote localism.

IWAC proposes that a network of genuinely local committees, perhaps called **Local Waterway Community Partnerships (LWCPs)**, should be established in the area of each (Regional) Business Unit. The number and size of these LWCPs will vary across the country but, to achieve their purpose, they must be of a size and cover an area within which local people, users and businesses feel a sense of community.

LWCPs should look and feel like grass-root organisations, setting their own priorities and electing their own Chairs. Membership of a LWCP would consist of representatives of the local community who have a direct interest or a direct involvement with the waterways in their area. It would be wrong to be prescriptive about how many individuals should be involved or how often they should meet and it would also be wrong to impose too much formality.

Some LWCPs will work enthusiastically and others might struggle to find an appropriate role. Much will depend on whether the NWC is seen to take a close interest in local activities and local views. However, not all LWCPs would need to start from scratch. Across the waterway network, in Chesterfield and Lincolnshire and parts of Wales, there are successful local partnerships that can be used as the basis of the new committees. The aim should be to build on what already exists and to encourage more local communities to draw on the experience of successful partnerships to create local arrangements that suit local people and local interests.

4.6.2 Regional Level Participation

To carry credibility the proposed network of local committees will need to engage effectively decision-makers in NWC. IWAC believes that the LWCPs should be much more closely involved in the management process than is contemplated in the Consultation document. Local committees will quickly become demoralised if they feel

that their views are being ignored. The new structure should give the LWCPs the power and potential to affect management decisions.

To bridge the potential gap between the LWCPs and NWC management at (Regional) Business Unit level and to provide for some coordination between LWCPs who share the same waterway, IWAC proposes that:

- the Chair of each LWCP should become a member of a second tier committee, called the Business Unit Partnership Committee, which would meet the Regional Business Unit senior managers, say twice a year. This would give each LWCP Chair the chance to act as a conduit for information and ideas between the LWCP and its (Regional) Business Unit, representing local views to NWC decision-makers and reporting back to LWCP members on NWC programmes and priorities;
- a small representative group from this second tier committee should be invited to attend Regional Business Unit management meetings with the right to raise issues reflecting the views of their committee.

To give the new structure a sense of purpose and to ensure that (Regional) Business Unit managers take the process seriously, the annual (Regional) Business Unit Plan should be submitted to the full Business Unit Partnership Committee for comment and endorsement.

IWAC believes that the principle of local involvement is fundamental to the success of NWC and we do not feel that the proposals in the Consultative document provide a reasonable basis for NWC to deliver its commitment to localism and to effective community engagement. If eleven committees are set up with Chairs appointed from on high, with no coherent local community to represent and with no power to influence management decisions, there is a real possibility that the committees will be regarded with cynicism and even antipathy – the product of a centralised power structure rather than a genuine attempt to involve local people. By contrast IWAC's proposals for Local Waterway Community Partnerships (LWCPs) would provide a clear sense of purpose for NWC and the opportunity to mobilise the high level of interest and local support which NWC will need very badly if it is to succeed during its first few difficult years.

4.7 Membership

In most of the public discussion of the new waterways charity and in almost all of BW's publicity, the new charity is labelled as "a National Trust for the Waterways". The phrase is used several times in the Consultative document. The National Trust itself is a membership organisation and the constant use of the National Trust as a point of reference has suggested to most people that the NWC would have members with the democratic right to influence the strategy of the new charity.

In fact the Consultative document takes an ambiguous approach to the question of membership. As far as IWAC can gather from the rather confused references, the Consultative document proposes that the NWC should begin life as a non-membership organisation, with the governing body being made up of persons appointed by nominated organisations - although boaters may directly elect their representatives. It would then be left to the Council to decide whether to move progressively towards becoming a membership organisation, or not. This is an unsatisfactory approach to a very important issue.

IWAC believes that, as a matter of principle, the new third sector waterways body should be democratic in structure and outlook. The new charity should be a membership organisation and these members should have the democratic right to elect representatives to the governing body of the charity: the members of the new charity should have, in effect, the same rights as members of the National Trust.

To give the Council the power to decide whether or not the NWC should become a membership organisation is wrong in principle. IWAC believes that the Government should determine the nature of the new charity at the outset. The risks to the reputation of the new charity are significant. A Council filled entirely by appointees from designated organisations might begin to look like an undemocratic and self-perpetuating caucus. If the Council itself is given the power to decide whether NWC becomes a membership organisation, the Council of appointees might well decide to remain as they are, and pay little attention to how the Council is seen from outside. Indeed the assumption in the Consultation document that the Council will welcome and happily manage a change in its constitution is depressingly naïve. The world is full of organisations which are unable to change their structure because vested interests, favoured by existing arrangements, strive to protect their position.

Founding the NWC on the principle of democratic membership would give a clear message that the NWC is different in concept and outlook from BW. It would also bring practical advantages. With proper support, members can become advocates for NWC and perhaps even ambassadors. The membership can be used as a sounding board when contentious issues are considered and membership activities can be used to recruit, nurture and develop volunteers. Most obvious of all, members can be encouraged to make donations, to commit to legacies and to raise funds for NWC. IWAC is surprised that this important possibility is not mentioned in the Consultative document.

IWAC has struggled to identify the basis of opposition to creating NWC as a membership organisation. The most common objection amongst persons who are not familiar with the workings of democratic organisations, is that recruiting members might result in NWC falling under the control of a particular sectional interest, which we assume means under the control of boaters and anglers. IWAC dealt with this issue in the position paper that we published in October 2010. We stated the problem as follows:

Having a narrow membership base would very likely lead to serious difficulties. The core justification for a third sector organisation to run the waterways is that the waterways would be run for the benefit of the community at large. A governing body overwhelmingly made up of boaters and anglers would be unlikely to achieve this objective; it would inevitably focus on matters of direct interest to these user groups, and whenever there was a conflict between the perceived needs of boaters or anglers and other members of the community, the governing body would probably appear partisan and unrepresentative.

We also considered a related problem which has received much less attention but which has the potential to be far more significant.

..the vast majority of boaters and anglers are male, white and over the age of 55. A governing body elected from this membership is unlikely to be diverse either in terms of gender or ethnicity. The practical implications of having decisions about the future of a great national asset reached by such a narrow section of society are obvious and the reputational risks to the new third sector body are likely to be considerable.

IWAC's solution to these related problems was that the governing body should comprise a mixture of elected and nominated representatives.

In the light of these concerns IWAC has concluded that the constitution of the governing council should include not only elected representatives of the membership but a substantial number of nominated representatives from widely respected relevant organisations, such as The National Trust and English Heritage, as well as user organisations such as the Ramblers Association and RSPB. The aim should be to achieve a balanced governing body, with boaters and anglers fairly represented but with other groups that have a legitimate interest in the well being of the waterways also being appropriately represented. This should include representatives of local authorities.

IWAC has also pointed out that a good way to ensure that the membership of NWC is as wide and diverse as possible is to keep the membership subscription low; the fee for membership of NWC should certainly be well below the subscription charged by the National Trust. NWC might also usefully consider the possibility of membership being earned by a period of volunteering.

NWC will of course face the transitional problem that membership will take some time to build to the level where it can be regarded as representative. The appropriate solution is to vary the balance between elected representatives and nominees over time, phasing down the number of nominees as the membership increases. A practical illustration of how this might work is given in Appendix 3.

IWAC's conclusion is that the case for NWC being constituted as a membership organisation is overwhelming and that any risks can be effectively handled.

IWAC strongly recommends that:

- the commitment to establish NWC as a membership organisation is embedded in the various legal documents establishing the charity;
- the Council and Board of Trustees are charged with the task of building a substantial and diverse membership;

- a series of milestones are set for the achievement of the objective of a Council made up of equal numbers of elected representatives and nominees.

4.8 The Committees and Board of Trustees of NWC

IWAC does not believe that the present proposals as contained in the Consultation document adequately describe the roles of the various parts of the organisation. The following paragraphs provide a clearer statement of roles and responsibilities and also reflect best practice from the third sector.

4.8.1 The Council

IWAC agrees that the Council should be the ultimate guardian of the long term values of the charity and its specific roles should reflect this overarching responsibility. The Consultation document states that the Council's main power is:

“...appointing or dismissing the Trusteesand other company law member powers such as appointing external auditors and approving annual accounts.”

These are important powers but they should be seen to derive from Council's overarching responsibility.

In our view the main function of the Council should be:

“to ensure that the long term values of the Charity are maintained and to ensure that these values form the basis of all decisions made by the Board of Trustees and the management of the Charity”

To this end, we believe that the Council's specific responsibilities should include:

- monitoring the performance of the Trustees in fulfilling the Charity's statutory purposes;
- appointing and, if required, dismissing the Chair, the Deputy Chair and Members of the Board of Trustees;
- providing advice on policy issues to the Board of Trustees;
- monitoring the performance of and, as necessary, calling to account the Board of Trustees in its control and management of the affairs of the Charity;
- arranging for the appointment of members to Council.

These are demanding responsibilities and the Council should regularly audit itself to ensure that it contains representatives with relevant experience and with the different technical and professional skills which the Charity will need. The Council should also be charged with a duty to ensure that its membership is appropriately diverse so that it can be seen to reflect society as a whole.

4.8.2 The Board of Trustees

Unfortunately the Consultation document does not specify with sufficient clarity the role of the Board of Trustees and the Board's relationship with Council and the management of NWC. In IWAC's view the duty of the Board of Trustees should be:

“to direct and manage the affairs of the Charity to ensure that the organisation as a whole complies with its statutory requirements”

The Board's specific responsibilities should be to ensure that the charity:

- complies with its legal and regulatory requirements;
- has a clear vision and a strategy to deliver that vision;
- has an appropriate ethos and a published statement of values which will govern the conduct of business;
- seeks, listens to and acts on expert and policy advice both from within and outside the charity.

The Board of Trustees should also:

- act as the guardian of the Charity's assets and ensure financial stability;
- decide performance targets for senior managers and hold senior managers to account.

We endorse the recognition in paragraph 3.6.3 of the Consultation document of the need for a wide range of skills to be represented on the Board of Trustees. The NWC will be a large organisation and will be required to embrace significant change. The Trustees need to carry credibility with users and local communities. IWAC has written to the Minister and to the Advisory Panel emphasising the need for the Board of Trustees to contain persons with a deep knowledge of the waterways. As well as skills and relevant experience, the Board will also need to exhibit gravitas and a high degree of mature judgment.

4.8.3 Appointments

IWAC believes that Committees within the governance structure of NWC should have a clear purpose and that membership of each Committee should reflect the structure and responsibilities of the different parts of the NWC. Unfortunately these simple organisational principles are not applied in the Committee structure proposed in the Consultative document. Instead of an omnibus Appointments Committee with a number of different roles IWAC recommends the following alternative structure:

- **A Nomination Committee responsible for appointments to Council and the Board of Trustees**

Appointments to Council and to the Board of Trustees should be made with the assistance of a Nominations Committee. The Nominations Committee should be appointed by Council, comprising a small number of Council members with relevant experience and the Chair of the Board of Trustees. To ensure that nominations are seen to take account of the wider public interest, the Nominations Committee should be chaired by an independent Chair, whose appointment should be agreed with the Minister. The Nominations Committee should make recommendations to Council and the decision of Council should be final.

- **An Appointments Committee responsible for appointment of senior managers**

The Board of Trustees is responsible for appointing senior managers and should make these appointments with the assistance of an Appointments Committee comprising a small number of Trustees and a representative of Council elected by Council. The Appointments Committee should make recommendations to Board of Trustees and the decision of the Board of Trustees should be final.

4.8.4 Sub-Committees

We support the general intent stated in paragraph 3.7.7 of the Consultative document that the Board should make optimum use of appropriate sub-committees. However, consistent with the principles set out above, we believe that Committees should have a clearly defined purpose and wherever appropriate should have a time limit on their existence. We are also concerned that joint committees, suggested in paragraph 3.7.9 of the Consultative document should be kept to a minimum. Joint Committees often lead to a blurring of responsibilities and to an overlap of activity.

4.8.5 Trading Subsidiary

IWAC supports the establishment of a Trading Subsidiary and suggest that this subsidiary is configured to direct and manage all of NWC's non-waterways management businesses including property, retail, and other commercial activities. This subsidiary should be accountable to the appropriate senior managers of the organisation and through them to the Board of Trustees.

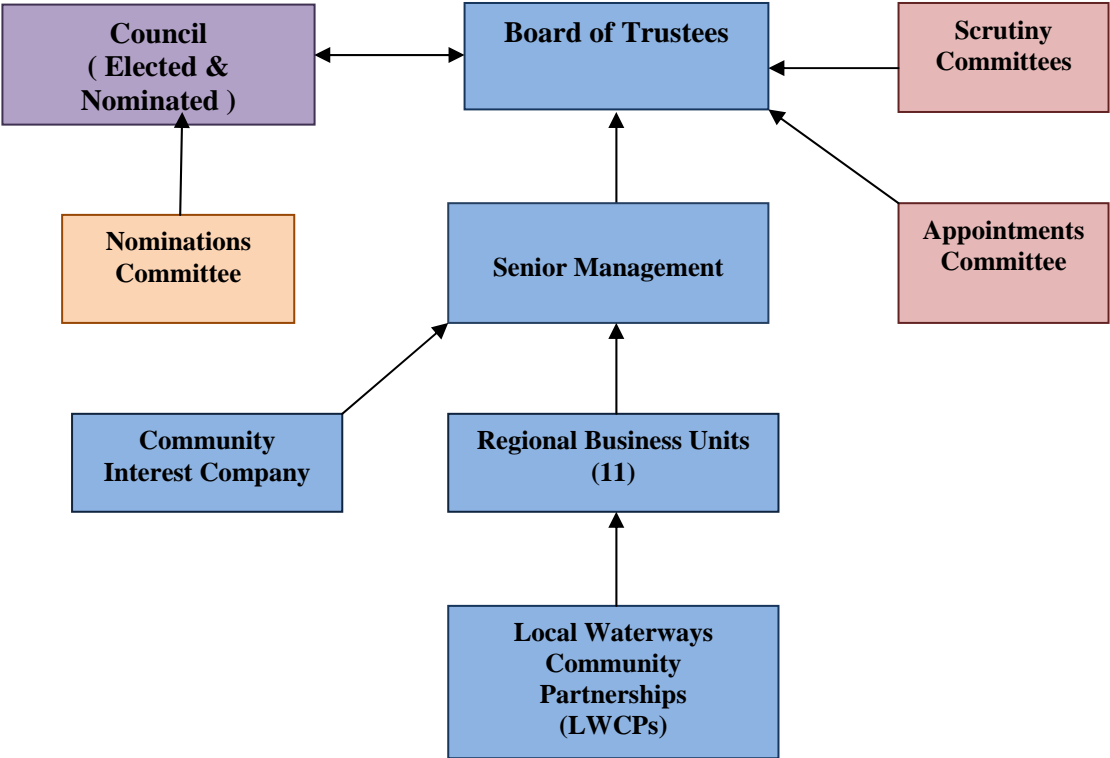
We note the reference in paragraph 3.8.4 of the Consultation document that:

".....the CIC can only distribute any profits or other surpluses generated from its activities to a charity or another CIC."

We presume that this paragraph does not imply the possibility of any surpluses being distributed to a charity other than NWC. It should be mandatory that all profits generated by the trading subsidiary are for the sole use of NWC.

4.8.6 The organisational model

IWAC recommends that the detailed proposals for roles and responsibilities contained in Section 4.8 of this response be adopted as the future model for the NWC. The structure can be represented as follows:



4.9 Government Oversight

We assume that the indicative commitment by Government of funding support up to 2022/23 will be enshrined in the legal arrangements setting up NWC and that it will not be possible for future Governments in this period to revoke the commitment. We recommend that the Trustees seek an absolute guarantee on this point.

With such a commitment of public funds over a lengthy time period we also assume that Government intends to institute arrangements to monitor the use of those funds. The Consultation document is silent on this subject and merely refers to a review in 2014 which is mainly concerned with the possible transfer of the Environment Agency’s waterways business to NWC.

IWAC recommends that, for reasons of transparency, the proposed arrangements for Government oversight of NWC should be published.

Conclusions and Recommendations

- IWAC strongly supports the Government’s aim of increasing public participation, local involvement and community engagement in the development of the waterways.
- IWAC believes that the statement of Charitable Purpose contained in the Consultation document should be redrafted to include, amongst other changes, a social purpose to promote social cohesion and should contain strong commitments to community engagement, to volunteering, to wider public access to the waterways, to free public access to towpaths and to promoting sustainable businesses with an involvement in the waterways, including tourism.
- The revised statement of Charitable Purpose should be used as the starting point for the development of a vision statement by NWC after full consultation with local communities, users, stakeholders and staff.

- IWAC recommends that the Transition Trustees make the issue of establishing and implementing an appropriate culture for NWC as one of their highest priorities.
- IWAC does not believe that the structure of committees at Business Unit level, as proposed in the Consultation document, will achieve the local involvement and community engagement that the Minister has set as an objective for NWC. We fear that if the proposals in the Consultation document are implemented unchanged the result will be public cynicism.
- IWAC's proposals to establish Local Waterway Community Partnerships (LWCPs) would provide genuine local involvement, a clear sense of purpose for NWC and the opportunity to mobilise the high level of interest and local support which NWC will need very badly.
- The Chair of each LWCP should become a member of the appropriate second tier Business Unit Partnership Committee, which would meet the Regional Business Unit senior managers twice a year.
- The annual (Regional) Business Unit Plan should be submitted to the full Business Unit Partnership Committee for comment and endorsement.
- A small representative group of LWCP Chairs from each Business Unit Partnership Committee should be invited to attend the appropriate Regional Business Unit management meetings with the right to raise issues reflecting the views of their committee.
- IWAC believes that NWC should be democratic in structure and outlook and that the case for NWC being constituted as a membership organisation is overwhelming. This commitment should be embedded in the legal documents establishing the charity.
- The members of the new charity should have the democratic right to elect representatives to the governing body of the charity.
- The Council and Board of Trustees should be charged with the task of building a substantial and diverse membership with the objective of moving as soon as possible to a Council made up of equal numbers of elected representatives and nominees.
- IWAC concludes that the organisation structure contained in the Consultation document does not provide sufficient clarity on power and relationships and should be redrawn on the basis of the roles and responsibilities contained in section 4.8 of this response.
- IWAC recommends that the Trustees seek an absolute guarantee that the appropriate level of public funding is enshrined in the legal arrangements setting up NWC and that it will not be possible for future Governments to revoke the commitment.
- IWAC recommends that, for reasons of transparency, the proposed arrangements for Government oversight of NWC should be published.

Section 5: Scope

5.1 Structural weakness

IWAC examined the structure of the whole waterway sector in the 2010 Report, *Surviving the Cuts and Securing the Future*. Our conclusions identified a strong case for reform. We described the present structural arrangements for the sector as “seriously flawed”, and added:

the current structure is cumbersome with significant inefficiencies and weaknesses:

- *the sector is fragmented and under-resourced;*
- *many small navigation authorities lack management capacity and relevant specialist advice;*
- *management of the two largest authorities is hampered by government financial constraints;*
- *there is limited engagement of many navigation authorities with local authorities or with the private sector.*

Whilst supporting the principles underlying the current proposals, IWAC considers that reform should ultimately embrace the whole sector in England and Wales.

5.2 Stage by Stage Reform

Our Report recommended a comprehensive restructuring of the sector. However IWAC is strongly in favour of a stage by stage approach. IWAC therefore welcomes the Minister’s decision to postpone the transfer of the Environment Agency (EA) navigations into the NWC until at least 2015. The Consultation document explains that the EA navigations are less prepared for the change than the BW waterways and that the EA navigations would bring no ready source of income into NWC as those navigations are dependent on public funding. These were strong reasons for delay but IWAC has been equally concerned that the task of merging the two organisations at the same time as the public corporation is transformed into a charitable trust might place too heavy a burden on BW management. For this reason IWAC believes that the planned review in 2015 should not recommend an early merger unless there is clear evidence that NWC has completed the massive transformation of structure and culture that is required and has become established as a stable and successful organisation.

Once NWC is firmly established, IWAC trusts that the merger with the EA navigations will go ahead and that this will mark the beginning of a wider reorganisation of the sector. NWC should seek to provide support to the smaller navigation authorities, both directly and through partnership agreements. Some navigation authorities will seek to become part of NWC and, providing each merger does not impose unreasonable financial burdens on NWC, the process of sectoral consolidation should be encouraged. The IWAC 2010 Report also recommended that NWC might offer the option of affiliation to other navigation authorities as a halfway house between independence and integration and we trust that NWC will use this device. Of course the smaller navigation authorities will only consider these possibilities if NWC behaves, and is regarded as, a friendly, supportive and outward-looking organisation.

5.3 The Restructuring Process

Most navigation authorities are keen to protect their separate identity and the process of restructuring must be handled with care and sensitivity. IWAC favours a voluntary and cooperative approach to any future restructuring of the sector. Nevertheless it would be helpful if the Minister made it clear to the sector that, in the Government’s view, some consolidation and reorganisation would be in the national interest. It would be a great disappointment and a missed opportunity if the replacement of BW by a charitable trust were not to be followed by a wider reorganisation and restructuring of the inland waterways sector. IWAC suggests that the new charity be required, in consultation with all parts of the sector, to review the opportunities for wider reorganisation and to report to Government at appropriate intervals.

Conclusions and Recommendations

- IWAC considers that reform begun with the creation of NWC should ultimately embrace the whole inland waterways sector in England and Wales.
- IWAC is strongly in favour of a stage by stage approach.
- IWAC welcomes the Minister's decision to postpone the transfer of the Environment Agency (EA) navigations into the NWC until at least 2015.
- IWAC believes that the planned review in 2015 should not recommend an early merger unless there is clear evidence that NWC has completed the massive transformation of structure and culture that is required and is established as a stable and successful organisation.
- IWAC favours a voluntary and cooperative approach to any future restructuring of the sector.
- IWAC suggests that the new charity be required, in consultation with all parts of the sector, to review the opportunities for wider reorganisation and to report to Government at appropriate intervals.

Section 6: Commercial Waterways

6.1 Environmental and economic advantage

The Consultation document refers to the considerable environmental benefits of waterborne freight. As IWAC pointed out in its 2008 Report, *Decreasing Our Carbon Footprint: Moving more freight onto the inland waterways of England and Wales*, carbon dioxide emissions usually amount to only a quarter of the emissions produced by road transport on a tonne per kilometre basis. The Government has an obligation under the Climate Change Act 2008 to reduce greenhouse gas emissions in 2050 by 80% of the 1990 baseline figure and, as IWAC argued in our Report, *Climate Change Mitigation and Adaptation*, published in 2009, the inland waterways should make a contribution to achieving the Government's target. With the Department for Transport (DfT) favouring the provision of lower emission transport, the opportunities for waterborne freight in the future are considerable.

The Consultation document might also have noted that rising fuel prices will increase the cost of road freight more than waterborne freight because fuel accounts for about 20% of barge costs while, according to the Freight Transport Association, fuel amounts to 35% of lorry costs. Most of the designated commercial waterways can take 500 tonne capacity barges or more. A two person barge crew can move 500 tonnes more quickly than if they drove the required number of lorries so labour economics is also on the side of waterborne freight.

Unfortunately little has been done by successive Governments to exploit these potential advantages. In 2008 IWAC made twelve recommendations, for the development of waterborne freight, including better promotion, modernisation, use of planning restrictions and a carbon credit scheme. Neither Defra nor DfT responded positively and BW was not enthusiastic. IWAC notes that there has been little improvement in the dimensions of the commercial waterways since the 1980s and so no opportunity has been created for barges to carry larger payloads. This is in contrast to road and rail improvements funded wholly or partly by the State.

6.2 A Dispiriting Approach

IWAC is disappointed to note that the Consultation document takes the same dispiriting approach as Defra and DfT showed in 2008. On page 75, the Consultation document asserts "the need to help ensure the charity is not placed in the position of having to subsidise freight operations". This approach is clearly misconceived. By its nature, NWC will subsidise most of its operations, whether these relate to the towpath, built or wildlife heritage or navigation, and this is recognised in the proposed contract between Defra and NWC.

The chief disadvantage of barge transport, which is often quoted by Government representatives, is that barges usually have to be unloaded into lorries for final delivery and this can be expensive. However if processing or other value added processes take place at the wharf, this disadvantage is minimised. There are many good examples of what is needed. In Rotherham Green Line Oils blend the cargo to make lubricating oils; near Leeds, Bayford Fuels maintain an oil store before onward road delivery; near Wakefield, Lafarge Aggregates make concrete at the wharf side; Cemex on the Severn brings "raw" aggregates to the washing and sorting plant near Tewkesbury.

6.3 Future Development

As fuel prices rise and as the search for more environmentally friendly transport intensifies, the policy dilemma for Britain is which waterways have the greatest potential for development and should be protected and which should be abandoned. The existing designated commercial waterways are:

- Aire and Calder Navigation – Goole to Leeds and Wakefield
- New Junction Canal
- Sheffield and South Yorkshire Navigation to Rotherham
- Trent Navigation to Nottingham
- Gloucester and Sharpness Canal and River Severn to Stourport
- River Weaver
- Stainforth and Keadby Canal
- Selby Canal

Calder and Hebble Navigation – Wakefield to above Dewsbury
River Lee to Hertford
Caledonian Canal
Crinan Canal
Yorkshire Ouse

6.4 Reclassification

After 40 years of the current designations IWAC accepts that the case for a classification review is strong. Of the five options posed in the Consultative document, IWAC favours Option 2. No classification change should be made before the transfer to NWC and the NWC would be able to apply to Defra for a downgrade. IWAC anticipates little opposition to downgrades on some of the smaller sized commercial waterways.

However a review needs to consider the right issues. The implication that classification as a commercial waterway should end because a commercial waterway currently makes a loss is highly questionable. If financial viability is the test, there can be little future for the Ribble Link, said to cost £250thousand per annum, or for lesser used or heavily locked canals such as the Erewash, Walsall, Aylesbury and Northampton Arms.

The Consultative document focuses on whether the commercial waterways pay at present but does not ask a similar question about the cruising waterways. Neither is the Government inclined to apply this criterion to the railways or the road system. With the waterways having a huge environmental advantage and the economics increasingly favouring waterborne freight, the review should not be on the simplistic basis of looking at current traffic movements. It should recognise that little or no freight at the moment is an inadequate basis for a decision to declassify. Cemex began using the Severn after ten years of no use. As part of the Review, a full survey should be carried out, with an examination of prospective new trends and traffics. The Government's aim should be to preserve the policy option of a modal shift from road to water in the future.

Of course in times of large public spending cuts, Defra, like other Departments, wishes to reduce its financial obligation but, as fuel prices rise, funding decided on this basis is the worst form of short-termism. There is also a hint of inter-departmental conflict between Defra and DfT as to which part of Government should fund the commercial waterways. A decision made on the basis of inter-departmental conflict would represent a failure of government

6.5 Commercial opportunities

In recent years the trend of waterborne freight is upwards. The latest tonnage figures are for 2008-9 and show that nearly a million tonnes were moved on BW waters, excluding their docks at Sharpness, Howdendyke and Crinan. From a low point in 2004, BW's tonnages have risen by 26% (excluding a 266,000 tonnes one-off traffic in 2008-9).

Even in a period of economic difficulty the commercial opportunities are significant:

- The River Trent study commissioned by BW and East Midlands Development Agency showed 19 firms with a possible 1.9m tonnes per annum.
- Leeds' planners wish to safeguard six wharves – and are looking at bringing sea-dredged aggregates from the Humber to Leeds, thus avoiding digging up the countryside.
- In the aggregates sector Cemex see their Tewkesbury processing plant serving new quarries for the next 50 years. Brett Aggregates hope to open a new pit between Newark and Nottingham in the next two years.
- The Olympic Park will deliver its Legacy through 15 years of construction work alongside the River Lea.
- There is a prospect of transporting salt brine on the Weaver.

6.6 A Policy Rethink

For some time BW has seemed unenthusiastic about freight transport. In 2007 BW disbanded its freight marketing team, whilst retaining marketing for other activities. IWAC believes that the creation of the charitable trust should be the moment for a policy rethink. The immediate task is to teach more managers in the transport and logistics sectors about the opportunities for water transport. IWAC understands that

Commercial Boat Owners Association has asked BW to consider reintroducing a proper marketing service and we hope that the Transition Trustees of NWC will address this issue as part of their evaluation of commercial opportunities for the new body.

One benefit of the long term contract between Defra and NWC can be to give certainty of “track” availability to a known standard over at least ten years. IWAC is aware that Rix gave up their canal carrying operations in 2010 because of the lack of such certainty and poor maintenance standards. Knowing that they can have a reliable “track” for ten years gives investors the firm base they need.

Given the changes in the transport industry, IWAC can see the benefits from some of the commercial waterways being improved so that, for example, container carrying barges can reach Leeds. IWAC is concerned that the NWC should adopt a positive attitude to such developments. However to ensure that the wider national interest is served and that new development are evaluated in a properly prepared framework of costs and benefits in accordance with guidelines in the Treasury *Green Book*, IWAC recommends that the Government retains reserve powers.

Conclusions and Recommendations

- IWAC notes that the environmental advantages of waterborne freight are considerable and should be exploited more fully in the national interest.
- Proper planning can minimise perceived economic disadvantages.
- IWAC is disappointed that England and Wales have failed to develop the opportunities for increasing waterborne freight in recent years. There has been little improvement in the dimensions of the commercial waterways since the 1980s.
- IWAC also regrets that BW has scaled down its freight operation and believes that the creation of the charitable trust should be the moment for a policy rethink.
- IWAC accepts that the case for a classification review is strong but recommends that the review should be based on a proper consideration of future needs and opportunities.
- To ensure that the wider national interest is served, IWAC recommends that the Government retains reserve powers.

Section 7: Volunteers

7.1 Managing the Culture Change

The Minister and most waterway organisations believe that NWC should work more closely with volunteers and should involve volunteers more closely in its operations than has been traditionally the case with BW. The success or otherwise of NWC in recruiting, integrating and retaining volunteers will be a test of whether the new organisation is genuinely committed to a high degree of community engagement.

With the exception of a small number of managers, BW has little experience of managing volunteers. Over many years BW's stance was that scope for volunteer involvement was severely limited because it was asserted that there were few appropriate roles where volunteers could be *used* (sic) and because health and safety considerations raised training and supervisory issues that BW was reluctant to face.

During the past two years the BW Chief Executive has led an encouraging initiative to recruit more volunteers but this is a recent change and most of the BW managers who transfer to NWC will not be fully aware either of the motives and capabilities of potential volunteers or of the best practices to employ. Moreover some waterways societies have reacted to BW's restrictive attitude to volunteers and have scaled back their aspirations and involvement. In many places it will take time to build up pools of volunteers to take on wider waterway roles. Achieving the necessary culture change will be difficult.

7.2 Best Practice

IWAC's report, *Volunteering and Inland Waterways*, published in September 2010, and the Report by the Association of Inland Navigation Authorities (AINA), *Quantifying the Extent and Value of Volunteering for the Inland Waterways* published in March 2011, provide valuable advice about how volunteering is promoted in successful organisations and useful information about the extent of volunteering in navigation authorities.

The IWAC Report explains how to attract, integrate and retain volunteers within a 'model' inland waterway organisation. In examining twenty case studies from outside the waterways sector, the Report identifies key transferable lessons. The Council of Community Service Volunteers also contributed advice on how to form an exemplar volunteer-friendly organisation.

An important recommendation of IWAC's Report is that volunteers have a variety of skills which should be used to the full; volunteers should not be confined to litter picking duties as sometimes happened in the past. Evidence from the IWA's Waterway Recovery Group demonstrates that, properly and sympathetically organised, volunteers can perform demanding tasks to high standards.

The benefits can be significant. At present a good deal of BW's engineering expertise is devoted to dealing with small problems that have to be attended to before they disrupt the system. Empowering a volunteer force to observe, report and potentially fix minor problems could free engineering staff to focus on major works, making more effective use of scarce resources. Deploying volunteers to steward fragile heritage sites so that they survive peak demand, such as looking after a damaged lock over a Bank Holiday period, might mean that the shutdown could be postponed to a less costly period, benefiting the public and the new charity. An imaginative approach to working with volunteers can bring very substantial advantages, as the case studies quoted in the IWAC Report make clear.

The key to best practice is to ensure the volunteers are fully integrated into the local waterways teams, have been well-trained and are made to feel that their contribution and their ideas are worthwhile. IWAC's Report gives specific advice based on the success of the twenty exemplar organisations. Key extracts from this report are reproduced in Appendix 4.

The AINA Report complemented the IWAC report by providing a snapshot of volunteering activity across the waterway sector, drawing on a telephone survey of 101 organisations that engage volunteers in waterway-related activity and an online survey of 256 volunteers. It was able to identify the motives of waterway volunteers and record their experiences.

The AINA report used Heritage Lottery Fund multipliers to value the existing volunteer work undertaken on inland waterways and suggested that this already amounted to around £10m per annum. However the AINA report indicates that there is a concern about the age profile of existing volunteers: 44% were over 55.

IWAC recommends that the IWAC and AINA Reports are used extensively within NWC to develop its volunteer strategy and to train managers in the necessary skills.

7.3 Local Partnership Activities

An important feature of an effective volunteering policy is the building of local partnerships with community groups, local businesses and local authorities. Guidance on how to build and sustain effective partnerships is contained in IWAC's March 2010 report '*Working Together*'. The report focuses particularly on the need for clarity of purpose and good communications to ensure effective community involvement. Volunteers form a valuable resource for any organisation and constant attention needs to be given to ensuring that they are valued for the work they do and for the funds they raise. Most volunteers feel a strong commitment to improving their local community which is why IWAC is strongly of the view that, for practical and motivational reasons, locally raised funds should be seen to be going towards local priorities.

7.4 Limitations and Costs

In sharing the enthusiasm for a much greater involvement of volunteers in the operation of the inland waterways, IWAC also believes that it is necessary to caution against the view, which seems to be evident in some parts of the Consultation document, that volunteering is an easy answer to many of the problems that NWC is likely to face.

Box 4J of the Consultation document makes very ambitious estimates of the financial benefits from volunteers without appearing to take much account of costs and limitations. Many organisations have encountered severe problems with their paid staff because those employees believe that they are, or will be, replaced by volunteers: it is self-defeating to try to use volunteers to cut costs. As the Prime Minister and many others have pointed out, the appropriate role of volunteers is to enhance service and not to reduce expenditure.

The IWAC report makes clear that managing the involvement of volunteers is both time-consuming and expensive. Training has to be given, new procedures have to be developed and communications have to be of a high order. The benefits of involving more volunteers are considerable but the initial cost is usually high.

As the AINA report notes, most existing waterway volunteers are in late middle-age or older. Many seem to have retired early, have extensive free time and have no need to seek payment for work that they undertake. An attempt to recruit younger volunteers must recognise the difficulty that younger people will have in taking on volunteering roles when working long hours in paid employment and trying to make ends meet in times of austerity. This suggests that NWC must be very flexible in the volunteering opportunities that it offers.

The National Trust (NT) case studies quoted in the Consultation document and elsewhere need to be treated with some caution. NT volunteers receive benefits once they have given 50 hours of their time in a year. These benefits include free NT membership for the volunteer or a friend visiting with them and a reduction in cafe and shop prices. The NWC is unlikely to be able to provide similar volunteer benefits.

It is also important to be realistic about limitations on the role of volunteers. Box 4M of the Consultation document lists External Cost Drivers that lay exceptional responsibilities on navigation authorities but the text fails to mention the cost of extra training and the impact on the availability of volunteers for certain work.

While strongly supporting the greater involvement of volunteers, IWAC suggests that NWC examines the best practice, looks for good quality advice and takes an evidence-based view of the opportunities, benefits, limitations and costs of working with volunteers. IWAC applauds the good intentions in the Consultative document but working successfully with volunteers also requires extensive knowledge and a great deal of professionalism.

Conclusions and Recommendations

- IWAC believes that NWC should work more closely with volunteers and should involve volunteers more closely in its operations than has been traditionally the case with BW.
- The two Reports on Volunteering published by IWAC and AINA should be used extensively by NWC to develop its volunteer strategy and to train managers in the necessary skills.
- While strongly approving of the greater involvement of volunteers and applauding all the good intentions, IWAC suggests that NWC examines the evidence, looks for good quality advice and takes a professional and evidence-based view of the opportunities, benefits, limitations and costs of working with volunteers.
- Since finding adequate finance is very often a problem IWAC is strongly of the view that, for practical and motivational reasons, locally raised funds should be seen to be going towards local priorities.

Section 8: Remainder Waterways

8.1 Adequate Protection

The Consultation document does not mention the navigable and un-navigable Remainder waterways and makes no suggestions about their future. IWAC believes that this is a serious omission. Remainder navigable and un-navigable waterways form an important part of the publicly owned waterways which are to be transferred NWC. However, they do not have the same statutory protections from adverse bridge or water supply decisions as the Cruising waterways.

At present BW and Defra work together when a Remainder waterway is upgraded to cruising standard. In future, Defra will not have the same authority. Defra may be tempted to leave the NWC to decide about upgrading, but IWAC recommends that Defra ensures adequate protections are in place before Vesting Day based on the principle, currently observed by BW, that NWC should not take any action that will place any of the currently navigable remainder waterways in an un-navigable state.

8.2 Background

The 1968 Transport Act classified certain BW waterways into “Commercial” and “Cruising” categories. Anything else fell in a “remainder” category – to be dealt with in the most economical manner possible (consistent with the requirements of public health public and the preservation of amenity and safety). Remainder waterways included derelict ones and also a number of lesser used navigable waterways – ones not thought worthy of “Cruising” status. 15 years later, this view was reversed and some were put in the “Cruising” category; later, others were added, including one which had been largely derelict in 1968 but subsequently restored. A list of the relevant waterways is given in Appendix 5.

The existing navigable waterways are shown among those listed in Appendix 5. They comprise a significant mileage and include some surprising and important waterways, such as the southern Stratford-on-Avon Canal, Paddington Basin and the Liverpool end of the Leeds and Liverpool Canal.

Cruising waterways are safeguarded in the Highways Act 1980 against disruption from bridges over, or tunnels under, them. The Minister approving such schemes has to take navigation into account. An objection by BW on the grounds that navigation is likely to be interfered with can only be overruled by special Parliamentary procedure.

When relevant parts of the Water Act 2003 come into force, the current exemptions for navigation authorities from needing to seek water abstraction licences will be partially removed and be replaced by a duty on the EA to take into account a navigation authority’s statutory duties when determining abstraction licence application. In addition, upgrading to Cruising status puts a statutory duty on BW to maintain the waterway in a suitable condition for cruising.

The crucial issue is that navigable Remainder waterways do not have the highways and water supply protections that Cruising waterway have and are therefore vulnerable. IWAC considers that this risk should be eliminated by upgrading them, subject to comments about costs which are explained below.

8.3 Waterways where up-grading is needed

IWAC has listed all the significant remainder waterways in Appendix 5, whether navigable or derelict and, based on the experience and knowledge of its members, split the navigable Remainder waterways into four categories. IWAC recommends that this approach is used immediately to determine a policy framework for the grading and upgrading of Remainder waterways.

8.4 Un-navigable Remainder and other waterways

IWAC is anxious that other un-navigable waterways are not overlooked, whether they are owned by BW or not. These waterways offer the prospects of significant benefits to their regional and local economies as well as

enhancing the nation’s waterways network. The benefits from the restoration of the Kennet and Avon, Huddersfield Narrow and Rochdale Canals are well known.

Whilst upgrading to cruising status is not possible until they are restored, these waterways do need the protection under Highways and Water legislation. As the law stands, that does not appear to be possible. IWAC recommends that the Government looks at other methods of achieving the same results, possibly by issuing directions or advice to the EA and the Highway Agency and other bridge building entities such as County Councils. This would be consistent with the agreement a decade ago (following controversy relating to a by-pass which would cross the un-navigable Thames and Severn Canal), that bridges impeding navigational headroom would not be built by the Highways Agency where there were reasonable restoration prospects.

Some work has already been done to safeguard the route of un-navigable waterways through the local planning process and IWAC encourages local planning officers and canal restoration trusts to continue with these efforts. Protection of this nature is consistent with the duty placed on BW in 1995 to take account of the desirability of protecting remainder waterways with potential for use as cruising waterways so they can be upgraded to cruising status.

Conclusions and Recommendations

- The Consultation document Paper does not mention the navigable and un-navigable Remainder waterways and makes no suggestions about their future. IWAC believes this is a serious omission.
- IWAC recommends that the important issues referred to in this section are given urgent attention both by Defra and by the Transition Trustees so that a policy for grading and upgrading is implemented before vesting day.

Section 9: Restoration

9.1 The need for clear policy

The Consultation document deals with the issue of restoration in a cursory manner. Most references to the restoration of canals relate to the success of past restoration projects. On only two occasions is restoration mentioned in a context which indicates that restoration might be a future objective of NWC. There is no indication as to how this can be achieved, what method of prioritisation should be undertaken to identify projects worthy of investment and support and how the necessary funds might be obtained. This is disappointing and IWAC believes that restoration merits greater attention in the consultative period.

9.2 Value of Restoration Projects

In the past, restoration projects have been a focus for social action and have been a main driver for volunteer activity. A number of studies have considered their value in terms of development and jobs and found them to be beneficial in regenerating areas which otherwise would not be able to attract good levels of private sector investment.

9.3 Protection of canal corridors

The lengthy development time of many restoration projects has meant that planning protection along the routes of derelict canals has been an essential first step to recovery. It is essential that viable inland waterway restoration corridors are protected in Local Development Plans and Frameworks so that regeneration projects can proceed when funds become available. IWAC is concerned that the Government's intention to simplify the planning process might reduce the protection accorded to viable inland waterway restoration corridors.

9.4 Prioritisation of projects

In 2006 IWAC's predecessor body produced a third review of inland waterway restoration and development projects in Britain. This provided the most detailed and comprehensive published source of reference on the state of waterway restoration and development activity in Britain. The Review contributed significantly to the promotion and better appreciation of this activity in the wider world, encouraging rational planning decisions and enabling funding bodies to identify the most viable projects to support. The Heritage Lottery Fund found the Review to be particularly useful.

A further review at this stage is necessary to provide up to date information. IWAC had planned the project into the schedule of work for 2011 but as IWAC no longer has the resources to undertake the study we suggest that another sponsor is sought for this valuable but inexpensive publication.

9.5 Risks

Despite BW's support for restoration projects over the last two decades, it withdrew from the Cotswold Partnership in 2008 to concentrate its funds on operational priorities. This meant that a relatively small local authority with limited resources became the lead partner on the major project for restoring the Stroudwater and Thames and Severn Canal with support from a wide range of local interest groups and other authorities. Whatever the merits of BW's decision there is little doubt that it severely damaged the confidence of the restoration movement and has led to a period of confusion and uncertainty. IWAC recommends that NWC is asked to prepare a policy on its attitude to, and its role in, restoration projects within a year of Vesting Day.

Conclusions and Recommendations

- IWAC believes that restoration merits greater attention in the consultative period.
- IWAC is concerned that the Government's intention to simplify the planning process might reduce the protection accorded to viable inland waterway restoration corridors.
- Because IWAC no longer has the resources to undertake the planned study of restoration projects, another sponsor should be sought for this valuable but inexpensive publication.
- IWAC recommends that NWC is asked to prepare a policy on its attitude to, and its role in, restoration projects within a year of Vesting Day.

Section 10: Transition

10.1 A time consuming process

In the course of this Response IWAC has supported the creation of a charitable trust to operate the waterways of England and Wales but we have also been very critical of several of the proposals. Our major concerns are that NWC must have sufficient funding to ensure a sustainable future for the waterways and that governance arrangements are put in place to ensure that the NWC will be democratic in structure and outlook, engaging with local communities, users and stakeholders. IWAC does not believe that the level of funding provided by Government is sufficient, and does not regard the governance arrangements as fit for purpose. From our discussions with other organisations it is clear that these serious concerns are felt by many other organisations. In IWAC's view, substantial changes need to be made to the Government's proposals. All this will take time.

IWAC also anticipates that discussions with the Charity Commission, that seem to be regarded in Defra as a matter of routine, will prove much more demanding than some officials expect. If experience elsewhere is any guide, the Commissioners will need to be satisfied on a host of issues, and this will involve detailed and time consuming negotiations.

10.2 Culture Change

As we have insisted throughout this response, changing the culture of an organisation is extraordinarily difficult. During the next ten months, BW will need to undertake a major communication and training exercise for its staff and management. The task of training managers, who are familiar with a top down decision-making system, to adopt a new and participative approach to local community groups will require a good deal of time and considerable care. On the basis of experience in other organisations, some managers will need to be convinced that the change is more than cosmetic and others will need to be mentored to find the right balance between effective operational decision-making and the rather slower moving consultative procedures contemplated in the charity. Unfortunately IWAC recognises that it will not be possible to start this time consuming process of culture change in an effective manner until the Government's final decisions are taken and BW knows the structure that needs to be understood and implemented.

10.3 Staff concerns

In general BW employees have been receptive to the creation of a charity but they still need to be reassured on a number of matters. The commitment to increase the recruitment of volunteers has understandably led to the fear that the number of paid employees might be reduced as volunteer numbers rise. Guarantees will need to be discussed and new procedures put in place. The TUPE process will need to be explained and the relevant decisions made. Other questions have been raised about the future of the Pension scheme. In Section 3 we note that the issue of the Pension Scheme deficit appears not to have been given sufficient attention. It is not clear whether the pension obligations are to be transferred to another body as happened when the water industry was privatised or whether some other arrangement are to be made.

IWAC recognises that members of Staff are entitled to be consulted on a wide range of issues. Unless the process is handled professionally and with the necessary sensitivity NWC will start with morale and motivational problems. These processes of explanation, consultation and reassurance will take time.

10.4 Insufficient time

IWAC's conclusion is that it will be almost impossible to complete this extensive schedule of work effectively within the short time available. The Transition Trustees have less than a year to assess the proposals, make recommendations to Government, produce a plan and implement the major provisions. BW will have to institute and carry through the extensive internal programme of communication, training and consultation referred to above. If Government keeps to the proposed timetable, IWAC is very concerned that decisions will be rushed, necessary preparatory arrangements not take place and important issues will be overlooked.

IWAC recommends that Government reconsiders the timetable set out in the Consultation document. We hope that, if the transition proves as difficult as we expect, the Government will be open to the suggestion that

Vesting Day might be delayed for an appropriate period. IWAC considers that it would be better to agree to a delay in Vesting Day than to see an exciting idea spoiled by over hasty implementation.

10.5 Expensive

In Section 3 of this Response IWAC suggested that the transition is likely to be much more expensive than forecast in the Consultative document: IWAC cannot believe that a sum of £1.5million will be sufficient. The new brand and its presentation will need to be decided, no doubt with some professional advice. Complex legal changes will have to be handled, again with professional advice. Since the transformation of a public corporation into a charity is almost unprecedented, unexpected problems will be encountered and will have to be addressed, again by professionals who will have to invent new procedures and new solutions and will charge accordingly. In this response IWAC has drawn attention to the need to address the issue of Remainder waterways and to work out how responsibility for the commercial waterways will be shared between NWC and Government. No doubt many other concerns, not addressed in the Consultation document, will also surface during the next few months.

IWAC recommends that a more realistic provision is made for the cost of the transition from BW to the new charity.

Conclusions and Recommendations

- In IWAC's view, substantial changes will need to be made to the Government's proposals and sufficient time for a consideration of significant changes in the proposals in the Consultation document must be built into the schedule for the creation of NWC.
- The Transition Trustees have less than a year to assess the proposals, make recommendations to Government, produce a plan and implement the major provisions. IWAC is very concerned that decisions may be rushed, necessary preparatory arrangements may not take place and important issues overlooked.
- IWAC anticipates that discussions with the Charity Commission will prove much more time-consuming and demanding than some officials expect.
- BW's necessary internal programmes of communication, training and consultation will prove difficult and time consuming. Some will have to wait until the Government's final decisions are taken.
- BW staff are entitled to be consulted on a wide range of issues. Unless this process is handled professionally and with the necessary sensitivity NWC will start with morale and motivational problems. These processes of explanation, consultation and reassurance will take time.
- IWAC's conclusion is that it will be almost impossible to complete this extensive schedule of work within the time available and that it would be better to agree to a delay in Vesting Day than see an exciting idea spoiled in over hasty implementation.
- The transition is likely to cost much more than the allocated sum of £1.5million.

APPENDIX 1

The Consultative document's 29 Questions

The Consultative document poses 29 questions which IWAC has answered in the themed Sections of this Response. For ease of reference we give below the location of our reply to each of the questions.

Question	Subject	Location of IWAC's specific response
1	Mergers	Section 5 and paragraph 3.8.4
2	Trust Declaration	Paragraph 4.2
3	Charitable Purposes	Paragraph 4.3
4	Mission Statement	Paragraphs 4.2 and 4.3
5	Belief Statement	Paragraphs 4.2 and 4.3
6	Vision Statement	Paragraphs 4.2 and 4.3
7	Powers and duties	Introduction
8	Governance Model	Section 4
9	Funds raised locally	Appendix 2 and paragraph 7.3
10	Local partnerships (LPs)	Paragraph 4.6
11	Size of LPs	Paragraph 4.6
12	Sub-committees of LPs	Paragraph 4.6
13	Local and network needs	Paragraph 4.6
14	Joint working	Paragraph 4.6.2
15	Greater involvement	Paragraph 4.6
16	Volunteering	Section 7 and Appendix 4
17	Volunteer programmes	Section 7 and Appendix 4
18	Membership	Paragraph 4.7 and Appendix 3
19	Make up of Council	Paragraph 4.7 and Appendix 3
20	Election/appointed	Paragraph 4.7
21	Chair of Appointments	Paragraph 4.8.3
22	Scrutiny Committees	Paragraphs 4.8.3 and 4.8.4
23	CIC	Paragraph 4.8.5
24	Waterborne freight	Section 6
25	Monitoring of spending	Paragraph 4.9
26	Increasing income	Paragraph 3.7.2 and Appendix 2
27	Saving money	Paragraph 3.8
28	Impact Assessment	Paragraph 3.8.1
29	Name of NWC	IWAC has not addressed this issue

APPENDIX 2

IWAC Review of Income Potential

IWAC has looked at the potential for additional income under the following headings:

1. Waterway users;
2. The property portfolio;
3. Local and public authorities;
4. Donations and legacies;
5. The private sector;
6. Retail activities.

We would stress that our findings are based on the relevant experience of members of IWAC Council and the comments are not based on any form of market research.

1. Waterway users

When the finances of navigation authorities come under pressure, there is a temptation to increase charges to users. The Minister, quite properly, has given an unambiguous guarantee that there will be no charge for the use of waterway paths, so any extra charges would fall on boaters. However, IWAC's Report, *Funding and Income Sources for Overseas Waterways*, showed that the percentage of waterway costs met by boaters in Britain is generally in line with the proportion in other countries.

IWAC's conclusion is that licence fees should keep pace with inflation and should reflect cost rises within the navigation authority, but a policy of increasing licence fees well above inflation is not a reasonable way of closing the funding gap.

2. The property portfolio

More than one third of BW's commercial income comes from investment property. Recognising the vagaries of the property market and its current fragility, IWAC believes that it would not be prudent to assume any significant increase in income from this source over the medium term. Indeed in the immediate future the challenge for the Trustees of NWC will be to achieve some recovery in income from property.

3. Local authorities

Defra urges navigation authorities to work closely with local authorities and suggests that partnership working can unlock more funding for the waterways. Many partnerships involving local authorities have been formed to promote the waterways. One of the most important is the River Thames Alliance. Other partnerships have been formed to restore and develop waterways such as the Cotswolds Canal Trust and the Chesterfield Canal Trust. In 2009 IWAC published a good practice guide, *Working Together – Effective Waterway Partnerships*, which advises stakeholders how best to set up and sustain such partnerships.

This form of partnership working is highly desirable for many reasons but any suggestion that, in current circumstances, such partnerships will produce a significant source of income from local authorities should be treated with great caution.

The 2008 IWAC study of the funding of British navigation authorities, *Insights into the Funding of the Inland Waterways of Great Britain*, found only one example where local authorities contribute significantly to the running costs of navigation authorities that they did not own or operate. This exception, Essex Waterways Ltd., which manages the Chelmer and Blackwater Navigation and is owned by IWA, has worked extremely hard to identify the priorities of local councils and to ensure that there is real synergy between the work of the navigation authority and of the local authorities. The lessons from the Essex Waterways experience should be applied by NWC and over time some successes might be achieved. However local authorities are currently coping with an unprecedented squeeze on their expenditure and it seems improbable that they will agree to significant new contributions from their already stretched resources.

IWAC concludes that, in view of the severe restraints on funding presently being experienced by Local Government, it would be imprudent to assume any increased revenue from that source for the foreseeable future.

4. Donations

The Consultation document makes some predictions about the ability for NWC to raise new money in donations and legacies from individuals. A recent poll conducted by BW suggested that the number might be over half a million individuals contributing between £10 and £20 a year. This research supports BW's estimate that, after a change in structure and the move into the third sector, an annual income of about £15 million a year from private donations might be achievable within a decade or so. IWAC is highly sceptical about this forecast.

IWAC agrees that the NWC should strive to raise money from the public but believes that far more cautious estimates should be used in the NWC's Business Plan. Any comparison with charitable bodies such as the National Trust or the RSPB should take account of differences in structure and benefits. Membership of the National Trust costs an individual nearly £40 and a family something over £60. For this subscription, members have free access to all Trust properties in the United Kingdom and in some overseas countries as well. The RSPB membership is £18 per person with equivalent benefits. Both National Trust and RSPB are membership organisations and members have the right to vote in elections for the Governing Council.

It is not clear what inducement NWC can offer for people to contribute other than for philanthropic reasons. As contemplated in the Consultative document, NWC will have no members and hence there can be no membership rights. NWC will manage no properties or nature reserves for which discounted entry prices can be offered. Fundraising efforts might be successful at local level if the money raised goes into specific local projects but typically these will fund improvements rather than the normal running costs of the network.

One IWAC member who took a prominent part in fund raising and gathering support by means of volunteer resources for the restoration of the Anderton Lift is certain that the initiative was successful only because the money was raised for a specific local attraction that was readily identifiable and for which there was a feeling of personal ownership. Had the objective been simply to raise funds to finance some remote regional or national purpose, he is certain that less enthusiasm and much less money would have been generated. This and similar experiences have convinced IWAC that the best approach is to accept that money raised locally should be spent on local projects.

In Section 4 of our response IWAC proposes that the NWC becomes a democratic organisation with members having the right to elect representatives to the governing Council of the charity. If these proposals are accepted there will be an income from membership subscriptions and the possibility of using the members for fund raising and as a source of donations. This is a much better business model than the model suggested in the Consultation document.

In the longer term legacies might provide a useful source of income but legacies are most easily obtainable from members in membership organisation and normally follow many years of association between the organisation and the potential benefactor. It would be irresponsible to assume any significant regular income from this source in the first decade or so of the NWC as the new body establishes its track record and endeavours to demonstrate to potential donors that it is meeting its charitable objectives.

IWAC notes that the total additional income projected in the Consultation document over the eleven year period is between £50 and £55million (it was not possible to determine the exact figure in the Consultation document as no table of figures is provided to support the graph in Box 4J). IWAC considers that, even if NWC becomes a membership organisation with the resulting fund-raising opportunities referred to in Section 3, these estimates are too optimistic and that a possible potential additional net income, after the substantial costs of fund-raising are taken into account, is more likely to be at best up to £5million a year after several years of effort to build up the membership.

5. Private Sector

BW has done well to secure a steady income flow from utility companies wishing to run cables and pipes under towpaths and other BW property. Some growth is possible in this category of income but the increase is likely to be small.

Apart from this utility income very little money comes into BW from private companies. In IWAC's Funding report we drew attention to the opportunity to develop sponsorship agreements with companies and other relevant organisations. Britain's canals and navigable rivers are well suited to a range of sponsorship opportunities and the approach need not be particularly intrusive. Signage and interpretation boards on a particular reach of a river or a section of canal could carry the logo of the relevant organisation or company,

and the sponsorship could be acknowledged whenever the relevant stretch is mentioned in public. Depending on circumstances, the financial sponsorship could be reinforced by agreements to develop volunteering arrangements with the sponsoring organisation's staff. Providing the sponsoring partners are chosen with care and providing the agreements are carefully drafted, using skills that the navigation authorities will need to acquire, the relationship could generate a small but useful income.

BW is extremely sceptical about the opportunity to attract sponsorship, having apparently tried and failed to find sponsors in the past. IWAC has not been provided with the details of that abortive initiative and therefore cannot be definitive on the likely potential for increased income. While IWAC believes that there is potential in this proposal, in view of the uncertainty, it would not be prudent to assume additional income of more than £2million from this source..

6. Retail Activities

When examining the income of BW for our 2009 Report, *Insights into the Funding of the Inland Waterways of Great Britain*, we were surprised to find that the retail income of BW was so low. We appreciate that this might be because, in recent years, BW has concentrated so heavily on developing its property portfolio but the formation of NWC should be the occasion for a rethink of strategy.

BW claims a total of 12 million visitors each year to canals and visitor destinations. The high number of visitors can either be regarded as a business opportunity for the NWC to sell goods and services and to reduce the funding gap or it can be viewed as the means of creating business opportunities for others. While BW remained a public corporation, either view was valid but the change of status and NWC's need for extra revenue suggest that opportunities for retail revenue should to be taken much more seriously in future

It is not essential for NWC to recruit specialists to develop and operate retail projects: some facilities might be run directly and others through carefully controlled franchises. Whatever the method, the objective should be to ensure that NWC derives direct financial benefit from the efforts that it makes to increase the use and enjoyment of the waterways. However IWAC accepts that extra income in the medium term from Retail Activities is unlikely to be very large; it would not be prudent to assume additional revenue of more than £3million, before costs, from this source.

APPENDIX 3

Increasing Membership

The Consultative document asks whether the Council should be appointed by various groups or should be elected by a subscribing membership.

IWAC responded to this question in Section 4. IWAC's position is that the NWC should follow the example of the National Trust which is 50% from representative groups and 50% elected by the membership.

Concerns have been expressed that at the outset the number of members is likely to be low and a small number of members electing 50% of the Council would be unreasonable. Transitional arrangements are needed and IWAC suggests the following formula:

- until there are 1,000 public members, the Council is 5% elected by the members and the other 95% comes from representative groups;
- between 1,000 and 10,000 public members, the Council is 10% elected by the members and the other 90% comes from representative groups;
- between 10,000 and 25,000 public members, the Council is 20% elected by the members and the other 80% comes from representative groups;
- between 25,000 and 50,000 public members, the Council is 30% elected by the members and the other 70% comes from representative groups;
- between 50,000 and 100,000 public members, the Council is 40% elected by the members and the other 60% comes from representative groups;
- when there are over 100,000 public members, the Council is 50% elected by the members and the other 50% comes from representative groups.

This arrangement will provide for steady progress towards a balanced Council.

APPENDIX 4

Volunteers

IWAC's report, *Volunteering and Inland Waterways*, published in September 2010 gives specific advice based on the success of exemplar organisations. Key extracts from this report are reproduced here:

Attracting Volunteers

- community advocacy can be powerful for attracting new volunteers locally;
- making available a wide range of opportunities with flexibility about timing and length of commitment;
- using different methods of recruitment and different messages to reach different sections of the population;
- providing varied opportunities for under-18's to volunteer, including tailored opportunities such as summer camps that offer a safe and time-limited format;
- one-day activities give volunteers a good introductory taster of volunteering, but can often lead to longer term and sustained involvement;
- organisations should start by approaching their members offer a good start point for increasing volunteering as they are already sympathetic to the cause;
- accreditation is appealing for some volunteers, but by no means all - younger and older people may be less interested, but those seeking employment are more likely to want to strengthen their CV;
- attracting volunteers from diverse backgrounds offers organisations new, different and valuable benefits.

Integrating Volunteers

- staff should be reassured that volunteers are not replacing existing jobs; staff should be provided with information, and opportunities for discussion and consultation;
- a structured volunteer policy including lines of accountability and disciplinary guidelines for staff and volunteers should be developed;
- the time needed adequately to manage and supervise volunteers must be recognised in management and staff procedures;
- local volunteer coordinators (whether paid or volunteer themselves) must be attuned to local priorities and volunteer needs;
- training and volunteer management should be integral to organisations' management processes;
- volunteer role descriptions should be developed alongside paid staff and overlaps recognised;
- paid staff should be give explicit roles and responsibilities for supporting volunteers to enrich their jobs;
- matching volunteers to opportunities to make sure volunteer and organisations' needs are met is crucial to success;
- senior management support for volunteering must be communicated to all staff;
- volunteers can become managers or leaders of other volunteers, including young people.

Retaining Volunteers

- regularly evaluate how the organisation can improve the relationship with volunteers through consultation to develop a better understanding of expectations and issues;
- dedicated volunteer management allows time for liaising with volunteers on a one-to-one or group basis, raising confidence and fostering integration;
- recognise and nurture the importance of social aspects of volunteering;
- e-newsletters and social networking are good ways to keep in touch with volunteers and to build a community of volunteers over distances;
- invite volunteers to get involved in consultations and meetings to ensure their views have equal weight to those of paid staff;
- communication is key when volunteers only assist for short or infrequent periods of time - keep volunteers fully informed of what has happened during the time they have not been volunteering to keep momentum and continuity;
- help with fundraising is one way to keep volunteers actively engaged on an on-going basis, but may not suit everyone so needs to be part of a range of opportunities on offer.

APPENDIX 5

Remainder Waterways

A) List of waterways in England and Wales transferred from the “remainder” to “cruising” category under the British Waterways Act 1983 or later

Ashton Canal
Caldon Canal (including the Leek Branch)
Erewash Canal
Slough Arm of the Grand Union Canal
Lower Peak Forest Canal
Monmouthshire and Brecon Canal (Pontypool to Brecon)

The above were covered by the 1983 Act. Those dealt with later are:

Sheffield and South Yorkshire Navigation (Sheffield – Tinsley section)
Kennet and Avon Canal.

B) List of remainder waterways at present

The waterways have been put into four categories:

1. Where an immediate upgrade is recommended and no additional financial costs are expected over what BW incur at present This list includes most of the Birmingham Canal Navigations (lock free sections); the Paddington Basin, Welford and Saltisford Arms of the Grand Union Canal; the Liverpool end of the Leeds and Liverpool Canal; the southern Stratford-on-Avon Canal; and the Anderton Lift. As all of these are, in practice, being maintained for cruising, no significant extra costs are expected. IWAC notes that most of these waterways are in urban areas where the waterways have already played a part in urban regeneration and social inclusion or have the potential to do so.

2. Where waterways are navigable and generally connected to the network and should be upgraded. However, in view of the number of locks and other infrastructure, a review of any financial consequences is desirable. This list includes the other navigable parts of the Birmingham Canal Navigations (where there are locks to maintain) and waterways already restored with the benefit of public money, volunteers and private donations. These include the Bridgwater and Taunton Canal, parts of the Chesterfield Canal and Pocklington Canal; and Montgomery Canal; and the Ribble Link. All of these have locks and IWAC recommends that the relevant maintenance costs be published before a final decision is taken about upgrading. IWAC notes that BW told IWAC that the upgrading of the Kennet and Avon Canal (which has many locks) would not increase BW’s costs.

3. Where waterways are navigable and should be upgraded but a review of the terms of local authority and other funding is needed in case this is affected by an upgrade. This list consists of the Huddersfield Narrow Canal and the Rochdale Canal. Both of these were restored and reopened about ten years ago with the benefit of support from the Millennium Commission, Lottery Fund money, volunteers, private donations and public funds. Both have the benefit of agreements with local authorities about current and future maintenance. Both have a considerable number of locks. Both have played a significant part in urban and rural regeneration. IWAC recommends that the continuance of local authority funding is reviewed before a final decision is taken about upgrading.

4. Where waterways are navigable and an upgrade is desirable but where the waterway is not connected to the network and a further review needed. This list includes navigable remainder waterways which are not yet connected to the waterways network such as other parts of the Chesterfield and Montgomery Canals; and parts of the Grantham Canal. IWAC again notes that these have been restored through the efforts of volunteers, private donations and public funds. IWAC recommends that the relevant maintenance costs be published before a final decision is taken about upgrading.

Remainder waterways	Section of waterway	km	Comments	Category				IWAC's suggestions, subject to consultation with relevant parties
				1	2	3	4	
Ashton Canal (part)	Dukinfield Junction to Huddersfield Narrow Canal	0.8	Ducie Street to Dukinfield Junction part was reclassified as Cruising by BW Act 1983	✓				Upgrade separately from whether the Huddersfield Narrow is upgraded as there are no locks in this short section
Birmingham Canal Navigations	The whole network other than New Main Line between Birmingham and Wolverhampton; the link to the Stourbridge Canal; and Birmingham & Fazeley Canal	107.8	Dudley No 2 Canal to Halesowen;;	✓				Upgrade. No actual financial consequence as BW already maintain it to cruising status
			Dudley no 1 Canal from Park Head to Tipton via Dudley Tunnel; Gower Branch		✓			
			Old Main Line and Sherborne Street, Icknield Port, Soho and Bradley Loops and Ocker Hill Branch and various basins (e.g. Broad Street, Wolverhampton); Wyrley & Essington Canal, including Cannock Extension and Daw End and Anglesey Branches;	✓				
			Rushall, Tame Valley and Walsall Canals;		✓			
			Wednesbury Old Canal, including the Ridgeacre Branch	✓				
Bridgwater & Taunton Canal		22.5	Navigable		✓			Upgrade
Bow Back Rivers, East London			Navigable/being restored		✓			Upgrade
Caldon/Uttoxeter Canal, Froghall Lock and Basin			Froghall Lock and Basin is now in use	✓				Upgrade. BW already maintain it to cruising status and have installed mooring pontoons in the basin
Chesterfield Canal	West of Worksop	11.3	Navigable to Norwood Tunnel east end;		✓			Upgrade
			also 4 miles into Chesterfield				✓	
Cromford Canal		7.2	First lock into Great Northern Basin has been restored but little more yet	✓				Upgrade the restored section. In practice, it is seen as part of the Erewash

Grand Union Canal	Little Venice to Paddington Basin; Wendover and Old Stratford Arms; Welford Arm , Kaye Arm (query ownership), Saltisford Arm (leased by the Saltisford Trust from BW))	12.9		✓				Upgrade the Paddington Arm Basin, Welford Arm and navigable part of the Wendover Arm and Saltisford Arm. Possibly Kaye Arm, once ownership clarified
Grantham Canal		53.1	Navigable near Grantham and near Hickling				✓	Upgrade the restored navigable parts
Huddersfield Narrow Canal		32.2	Navigable			✓		Upgrade, in consultation with the funding local authorities
Lancaster Canal	North of Tewitfield Bottom Lock	19.3	Above Tewitfield Locks, in water up to Stainton Bridge	✓				Upgrade if navigable – no locks
Leeds & Liverpool Canal	Liverpool to Aintree, Walton Summit and Springs Branches	18.5	Add the new Liverpool Link. All navigable apart from Walton Summit Branch	✓				Upgrade navigable sections
London Docklands Docks	BW deal with these, including the Locks			✓				Upgrade
Manchester, Bolton & Bury Canal		25.8	Middlewood Locks have been rebuilt, linking to the River Irwell.					Too early to upgrade?
Monmouthshire & Brecon Canal	Other than cruising length	3.2	Jockey Bridge, Pontypool to Gas Works Bridge, Brecon reclassified to Cruising by BW Act 1983. Since then, further restoration into Brecon and to top of Five Locks, Cwmbran	✓				Upgrade further restored section
Nottingham Canal		4.0						Leave as remainder?
Oxford Canal (North)	Old loops and branches	7.2	Some un-navigable; others used for moorings etc – e.g. Rugby, Stretton	✓				Upgrade Rugby and Stretton Arms?
Peak Forest Canal – Bugsworth Arm and Basins			It is excluded from the cruising waterways as it is not part of this canal's "main channel". Having been restored, it is now in use	✓				Upgrade
Pocklington Canal		16.1	Navigable to Melbourne Arm		✓			Upgrade navigable part

Ribble Link	Owned by The Waterways Trust	4.6	BW operated under agreement with Ribble Link Trust		✓			Upgrade
Ripon Canal and River Ure and River Ouse	Ripon Canal to Littlethorpe Lock	1.6	Ripon Canal now restored. River Ure from Ripon Canal to Swale Nab is Cruising. Swale to Ouse and Linton lock need clarification but are navigable. When transferred to BW in 1989, Ouse became Commercial	✓				All these navigable waterways should be upgraded if not already Cruising/Commercial
Rochdale Canal	Owned by The Waterways Trust	53	BW operated under lease from Rochdale Canal Co (owned by TWT)			✓		As navigable, should be upgraded, in consultation with the funding local authorities
St Helens Canal		19.3	Some sections are in water – isolated but navigable.					Leave as remainder?
Sheffield & South Yorkshire Navigation	Remaining stub of Dearne& Dove Branch	0.5						Leave as remainder?
Shropshire Union Canal	Prees Branch (Llangollen Branch), Montgomery Canal, Newport, Trench and Shrewsbury Branches	65.1	Prees Branch is navigable	✓				Upgrade navigable parts
			the Montgomery (from Frankton to a little beyond Maesbury Marsh;)		✓			
			also between Arddleen and Berriew				✓	
Staffordshire & Worcestershire Canal	Hatherton Branch	9.7						Leave as remainder?
Stourbridge Canal	Stourbridge Extension and Fens Branch	4.0	Navigable to Stourbridge Extension Branch Junction and its basin. Fens Pools provide water	✓				Upgrade to the Junction, including the Basin
Stratford-on-Avon Canal	Kingswood Junction to Stratford-on-Avon	20.1	Transferred to BW by Stratford-on-Avon Canal Transfer Order 1989 but this is a remainder waterway.	✓				Upgrade. No actual financial consequence as BW already maintain it to cruising status
Swansea Canal		24.2	Waterscape website says “The canal is navigable around Clydach and Pontardawe,”				✓	Maybe upgrade the navigable parts

Tees Navigation		17.7	Transferred to BW by The Commission for the New Towns (Transfer of Undertaking and Functions) (Tees Barrage) Order 2001 (SI 2001 No 361)	✓				Upgrade, subject to a review of the provisions of the dowry arrangements made when the transfer took place
Trent and Mersey – Anderton Branch and the Lift			Excluded from the cruising waterways as it is not part of this canal’s “main channel”.	✓				Upgrade. No actual financial consequence as BW already maintain it to cruising status
Weaver Navigation	Frodsham Cut	1.6	Navigable to the derelict Frodsham lock	✓				Upgrade

APPENDIX 6

IWAC Reports

Details of the IWAC Reports referred to in this Response are given below. They are available from the IWAC website – www.iwac.org.uk.

Making More Use of Waterway Paths and their Surrounding Corridors – Main Report
November 2010 [7.6MB PDF]

Making More Use of Waterway Paths and their Surrounding Corridors - Case Studies & Appendices November 2010 [3.7MB PDF]

Surviving the Cuts and Securing the Future October 2010 [2.4MB PDF]

Volunteering and Inland Waterways: How to Attract, Integrate and Retain Volunteers
August 2010 [24MB PDF]

Working Together - Effective Waterway Partnerships March 2010 [1.9MB PDF]

Funding and Income Sources for a Selection of Overseas Inland Waterways November 2009 [6.0MB PDF]

Insights into the Funding of the Inland Waterways of Great Britain November 2009
[0.5MB PDF]

Climate Change Mitigation and Adaption: Implications for Inland Waterways in England and Wales April 2009 [11.4MB PDF]

Using Inland Waterways to Combat the Effects of Social Exclusion April 2009 [0.2MB PDF]

Britain's inland waterways: Balancing the needs of navigation and aquatic wildlife July 2008 [11MB PDF]

Decreasing Our Carbon Footprint: Moving more freight onto the inland waterways of England and Wales January 2008 [0.2MB PDF]
