

BW's DIRECTLY MANAGED MOORINGS: PRICING AND VACANCY ALLOCATION PROPOSED FRAMEWORK FOR PUBLIC CONSULTATION

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1. Background

On 26 October 2007 we launched a 12 month trial of a new system for allocating vacancies that arise on any of the directly managed mooring sites on our network in England and Wales. The reason for doing this was to test whether such a system could effectively address some of the problems arising from our existing moorings management processes. These problems can be summarised as follows:

- a) Our annual price setting exercise involves local research and judgement and is time-consuming. It is subject to regular customer challenge and can be imprecise.
- b) The national shortage of moorings: because BW provides over 25% of long term moorings, the investment climate for new moorings is sensitive to BW's pricing policy.
- c) We therefore need to be confident that our prices are set to reflect local market conditions. We cannot subsidise long term moorings.
- d) We are concerned about the reliability of our waiting lists as indicators of demand.

2. Purpose of this paper

Our boating stakeholders have expressed clear desire to have meaningful engagement in the development of BW policies relating to boating. When launching the mooring tendering trial at the end of October 2007, we promised (a) an informal interim review with stakeholders and (b) a full public consultation to start approximately six months into the trial. To make the public consultation as constructive as possible, we are inviting pre consultation engagement with interested parties during March to give them the opportunity to help 'shape' the full public consultation. We are therefore setting out now what we envisage should be covered in the consultation paper itself along with the programme and timetable for the formal, 12 week public consultation to start in May.

If you have comments or suggestions for improving our proposed approach, please send these to consultation@britishwaterways.co.uk by 31 March, or earlier if possible. In several places within the draft outline, there are specific questions to which we would particularly welcome feedback.

Feedback you provide during pre-consultation will help shape the full public consultation to follow in May. We will not report back on the feedback on the pre-consultation phases.

3. Proposed consultation method and timetable

There should be three phases in the consultation process.

1. This outline paper to develop the scope of the consultation
2. An interim review of the issues
3. Formal public consultation

We will publish all papers on our website and welcome feedback from boating user groups and members of the public alike. All published papers will be available in paper form on request from BW Customer Services.

Our proposed timetable and communication plan is as shown in the table below. We aim to meet these target dates but minor adjustments may be necessary. The programme will include opportunities for face-to-face discussions at local regular BW user group meetings and with BW directors and relevant senior managers during a series of summer public meetings currently being planned.

OUTLINE PHASE	Date (provisional)
Distribute this outline paper to WUSIG / BWAFF ¹ , publish on BW website and send to 'logged' individuals ²	11 March
Closing date for comments	31 March
<i>Copies available for discussion at user group meetings falling within this period, hosted by local BW managers</i>	
INTERIM REVIEW	
Publish Interim paper ; send to WUSIG / BWAFF,	4 April
Discussion at WUSIG	Weds 16 th April
Closing date for comments	17 April
<i>Copies available for discussion at user group meetings falling within this period, hosted by local BW managers</i>	

¹ **WUSIG**: Waterway User Special Interests Group: representatives of boating and other special interest groups meet with senior BW Managers in April and October. **BWAFF**: The British Waterways Advisory Forum, see http://www.britishwaterways.co.uk/images/BWAFF_Constitution_13_April_2005.pdf

² People who have already written to us with comments about the mooring tenders trial

PUBLIC CONSULTATION

Preview draft final consultation paper to BWAf	8 May
Discussion at BWAf meeting	16 May
Publish formal consultation paper <ul style="list-style-type: none"> • Email or post to all logged individuals • Email all registered users³ • Mail all waiting list people⁴ (c.2,700) • Advertise the consultation in all relevant written communications to BW mooring customers 	19 May
Consultation closing date	8 August

Copies of consultation paper available for discussion at user group meetings falling within this period, hosted by local BW managers

DECISION AND REPORT

Analyse responses	30 June – 25 August
Prepare report considering consultation submissions	25 Aug – 15 Sept
BW board considers report & recommendations	25 Sept
Final report and proposals published	6 Oct

PLANNING FOR POST-TRIAL ARRANGEMENTS⁵

Contingency planning for all assessed options	30 June – 29 Sept
Final implementation plans	29 Sep – 27 Oct onwards

What other activity would you like to see within this programme?

Are the timings acceptable?

4. Proposed scope and outline of the public consultation paper

See next page

³ People who have registered on the mooring vacancies website: www.bwmooringvacancies.co.uk

⁴ People who were on a waiting list for a BW mooring in May 2007

⁵ Note that the chosen option may not take immediate effect after the 12 month trial i.e. (late October 2008) since it may require further planning, customer notification and implementation, depending on the degree of change....

11 March 2008

DIRECTLY MANAGED MOORINGS: PRICING AND VACANCY ALLOCATION DRAFT OUTLINE FOR PUBLIC CONSULTATION PAPER

YOUR VIEWS ARE INVITED ON THIS OUTLINE. PLEASE FORWARD THEM TO consultation@britishwaterways.co.uk BEFORE 31 MARCH 2008

1. About the consultation

- Timetable, process for feedback, opportunities to discuss with BW managers (dates and locations)
- Aim of the consultation is to (a) build stakeholder understanding of the factors that determine BW policy and procedures for the running of its directly managed moorings, and (b) for stakeholders to use this understanding to assess the validity of BW's analysis and conclusions, most notably in the area of customer service.
- We will have to make it clear that some factors are fixed: this consultation is not seeking views on government policy with respect to BW and there is nothing BW can do to change UK competition or any other law. The consultation is not about 'how high or low should mooring prices be?' but about how the prices should be set and vacancies allocated against the given statutory framework.

2. Scope of the consultation

The scope of the consultation needs to extend beyond "was the trial of mooring tendering successful?" To be useful to BW and waterway stakeholders it needs to address the two questions of how best to allocate vacancies and how best to set prices which reflect market rates.

3. Setting the scene

3.1. We offer long term moorings to the public (BW market share...)

- How we set prices and how we allocate vacancies are of obvious concern to many boaters and other mooring operators. The two themes are inter-related so price setting as well as vacancy allocation will be addressed in the paper.

3.2. Price setting

- Statutory requirements for BW to set market prices. Definition of market pricing.
- Pricing of moorings has been subject to criticism from boaters for many years (moorings matrix, market pricing development, challenges from customers following each year's review)

3.3. Allocating vacancies

- Formerly waiting lists
- 12 month trial of tendering introduced to provide more reliable data for mooring price setting.
- Trial running since 26 October 2007.
- Link to appendix - completed tenders data
- Volume and scope of complaints received plus link to appendix containing summary of issues raised.

What other information/issues should be included in this section?

4. Options for allocating vacancies at BW mooring sites

- (A) Waiting lists as per 2006 system
- (B) Tendering as per trial
- (C) Vacancies advertised at existing price (no waiting lists). Allocate to first completed application received.
- (D) Modified tendering – price paid by the highest tenderer is a margin above the second highest tender
- (E) Modified tendering – convert to auction where multiple bids permitted and all bids displayed during the tender period, so people can see what they need to bid to secure the mooring.
- (F) Any other options?

For each of these options, we will first present a straight description, describing the process for the customer and for BW. For options (A) and (B) we will also provide relevant statistics, feedback and research findings, using appendices as necessary to avoid the main document becoming unwieldy. Evaluation of advantages and disadvantages of each option would not be included here, but in section 7.

5. Options for determining the mooring price

- (A) The current method (annual review by local BW offices)
- (B) A formulaic approach using data from current tendering system
- (C) Formulaic approach using data from relevant alternative vacancy allocation options
- (D) Formulaic approach using fixed percentage of average price across a 'basket of local benchmark' private sites.

For each of these options, we will present a straight description. Evaluation of advantages/disadvantages of each option is dealt with in section 7.

6. Criteria for evaluating these options

	Allocating vacancies	Setting mooring price
How objective and transparent is it?	✓	✓
How much does it cost to operate?	✓	✓
Revenue foregone when the mooring remains empty	✓	
Administration	✓	✓
Advertising	✓	
Other costs	✓	✓
How easy and acceptable is it for customers?	✓	✓
Other	Does it help us to determine market price for the site?	Does it result in good approximation of market price?

Note: when launching the mooring tenders trial, we said that we would measure the success by whether people find it easy to use, whether the volume of tenders was commensurate with the size of the local market and whether it provides an efficient method for arriving at the price to be paid for the vacancy. All these points will be covered within the above framework.

Are there any other criteria that we should include which do not contradict government policy?

7. Assessment of options

We will evaluate each of the options described in sections 3 and 4 against the criteria contained in section 5. We will present as much cost and other data as is reasonable to draw together and present. A substantial amount of information has already been compiled and supplied under the Freedom of Information Act and we will update and include this as appropriate.

8. Conclusion

A summary of the results from section 7 and suggested conclusions.

9. Closing section and invitation to comment

Since the number and complexity of issues is significant, would you like a feedback questionnaire? Questions need to be relevant to the assessment criteria and the overall aims of the consultation described in section 1. Examples of questions could be:

- Based on our criteria and evidence, which option(s) are most acceptable to you? Why?
- Can you suggest other options that satisfy the criteria?

S.A.

11 March 2008