

REVIEWS OF CRAFT LICENSING 2003 - FINAL REPORT AND CONCLUSIONS

A. Fee structure

B. Craft Licence Fees 2003 - 2006

Results of the reviews at a glance:

- Basis for licence price differentials clarified (section 2.1)
 - Number of different licence types reduced substantially (section 3)
 - Policy for ad hoc charging established. Number of ad hoc charges reduced with fees for special structures integrated into licence prices (section 2.4)
 - Discounting policy established (section 2.1^{(1)–(5)}, and 2.8)
 - Some shorter term and small boat prices reduced to encourage new entrants (section 2.2)
 - Refund policy amended to be fairer to customers (section 2.8(b))
 - Direct debit instalment options changed to reduce BW debt exposure (section 2.8(c))
 - No change to pricing structure for great majority of customers
 - Table in Appendix 1 summarises the fee structure
 - Fees for 2003/4 will be 3% above 2002 levels. We will give further consideration to future index linking
 - Tables in Appendix 2 and Appendix 3 show fees for long term and short term licences
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Contents

A. Fee structure

- 1. Introduction**
- 2. Summary of issues and conclusions**
 - 2.1 What should determine differences in licence fee payments?**
 - 2.2 Should the new fee structure favour smaller craft?**
 - 2.3 Fees for short term access, unpowered and portable craft**
 - 2.4 Additional charges**
 - 2.5 Extending the scope of the licence**
 - 2.6 Boats without permanent moorings**
 - 2.7 Fees or craft operated for business purposes**
 - 2.8 Payment terms**
- 3. Licence types**
 - 3.1 Standard licences (England and Wales)**
 - 3.2 Gold Licence (England, Wales and Scotland)**
 - 3.3 Business Licence (England and Wales)**

B. Fee levels for 2003/4 and beyond

- Appendix 1 Summary of fee structure**
- Appendix 2 2003 Licence fees for private boats: long term**
- Appendix 3 2003 Licence fees for private boats: long term**
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A. Fee structure

1. Introduction

- 1.1. We launched a major review of our craft licensing fee structure in May 2002. This paper summarises the outcome and presents the new structure that will take effect from 1st April 2003. We have welcomed contributions from many hundreds of boat owners and user group representatives. These took the form of written submissions, telephone and email communications and face to face meetings. We are grateful to the waterways press for their help in publicising the consultation. Update papers were issued on 1st August and 12th September and distributed by email and post to everyone who had expressed an interest in the review. All documents have been posted on the BW website.
- 1.2. The extended period of the review and its format allowed for a substantial and genuine debate, and this played a major part in the shape of the final conclusions.
- 1.3. The aims of the review were to ensure that our fee structure was as fair, efficient and simple as possible. We want to encourage growth in boating participation on our waterways, and therefore need to minimise the extent to which people interested in starting boating see the licence fee system as an obstacle.
- 1.4. We recognised that any changes resulting from the review would need to be possible within our current legal framework.
- 1.5. We also made it clear the outcome would need to be revenue neutral: the overall fee level would be addressed separately in order to avoid confusion. We launched a separate consultation in mid October on the annual index linking of fees, inviting interested parties to submit their views by 15th January 2003.
- 1.6. Licence application packs for 2003/4 will be issued in mid March.
- 1.7. Consultation on the licence structure for our Scottish waterways is not yet complete, and conclusions from this will be issued separately.

2. Summary of issues and conclusions

Discussion of the many and varied issues raised can be found in the three consultation documents issued in May, August and September so will not be repeated here other than in the following summary of themes.

2.1. What should determine differences in licence fee payments?

We debated the following possible models:

- (a) Everyone pays the same
- (b) Payment according to actual use, or potential use given the dimensions of the particular boat
- (c) Payment according to length (and possibly width) of boat. (This is the status quo: for private craft in 2002, the price is £298 for the first 5.5 metres of length, plus approx. £20 for each additional metre)
- (d) Payment according to value of boat, as a proxy for ability to pay

We assessed each of these against the following criteria:

- (i) Market acceptability, including fairness, simplicity, and balance of benefit and cost to different user segments
- (ii) Costs of administration and whether it would be feasible to administer accurately
- (iii) The extent of additional benefits compared with status quo – i.e. would the change represent a worthwhile return, given the inevitable costs of change to some users

We concluded that while in principle the rationale for charging length was not particularly strong, the benefits from radical change to one of the alternative models would not be sufficient to outweigh the costs of change.

Length will therefore remain the main driver of fee differences, but with the following qualifications. Using the above criteria, for certain categories of craft, there is a logical case for adopting some elements of the alternative models.

- (1) Pleasure boats cruising only on the rivers listed in Schedule 1 of the British Waterways Act 1971 (and subsequent statutory amendments) will continue to be eligible for a 40% discount on the standard rate for all BW canals and rivers. We could not change this within the current legal framework.
- (2) Holders of long term river-only licences will be eligible for a 50% reduction on the purchase of a canal & river licence. Previously the discount was 10%.
- (3) There will be a 25% discount for craft which only ever use the few, very short stretches of BW waterways which are disconnected from the main network.
- (4) The 10% historic boat discount will continue using the existing criteria. Historic butty boats without engine which only ever travel as part of a pair will be eligible for a 50% discount. There was support from consultees for the idea of establishing a more effective means of targeting support for historic craft maintenance, and we will welcome proposals from TWT if they wish to pursue this.
- (5) The 25% discount for electric propulsion will continue for the time being pending clearer scientific evidence on net environmental advantage.
- (6) Higher fees will continue to be payable for craft used for business purposes.

We also concluded that simplicity associated with changing to a whole metre base (i.e. 5m instead of 5.5) was not of sufficient importance to offset the disadvantage resulting from the division of customers into 'winners' and 'losers' from this change.

There was some enthusiasm amongst consultees for loyalty and/or new customer discounts. We have decided that it would not be practicable to manage these fairly and efficiently as part of the licensing system, but will consider the needs of these groups in our future marketing plans.

There was negligible support for extending the rivers only licence to include all wide waterways within the revenue neutral constraint. The cost of the standard licence fee would have needed to increase by approximately 3% to compensate so we will not adopt this option.

2.2. Should the new fee structure favour smaller craft?

We considered a model in which the base price for the smallest craft would fall and the marginal cost per metre increase. This would have the effect of making the fees for smaller craft significantly lower, and those of larger craft higher. Users successfully argued that if this was designed to attract larger numbers of new customers, it should be funded by a separate marketing budget. We examined our research evidence that suggested that new entrants do tend on average to licence smaller craft than customers of more than 5 years standing, but the difference was not large. We will therefore look at alternative means of attracting new boaters.

2.3. Fees for short term access, unpowered and portable craft

As a start in the process of easing access for new boaters, we are:

- reducing the fees for unpowered and portable powered craft
- reducing the price of 3 and 6 month licences and
- extending the availability of the flexible 30 day Waterway Explorer to all craft (not just those under 7.5 metres as at present). The licence will not be available for craft floating in marinas or moorings adjacent and connected to BW waters.

There is no longer a general restriction on the use of locks by portable and unpowered craft, but we will emphasise safety and water conservation messages to customers purchasing these licences.

The new fee table for short term licences is included at the end of this paper.

2.4. Additional charges

- (a) There was strong demand from users to withdraw the charges for passage through the Anderton Boat Lift, Standedge Tunnel and Ribble Link. We accept that removing these charges will increase usage and consequent benefit to local communities. Use of the Falkirk Wheel will also be included in the 12 month canal and river licence fee and the Scottish long term licence.
- (b) Advance booking for passage through Anderton, Standedge and Ribble will still be required for operational reasons. This will be free of charge, but see para (c)(ii) below.
- (c) We were also asked to clarify the circumstances under which ad hoc charges would be levied. These are as follows:
 - (i) where there is a clearly identifiable marginal cost to BW at the specific boat/customer level (e.g. passage through West India Dock Entrance Lock at low tide)
 - (ii) where pricing is needed as a means of managing a scarce resource. For example people wishing to guarantee a passage time through a manned structure during peak periods could pay for this when booking. Overstaying charges at particularly popular visitor moorings would be another example.

Under this policy, charges for use of safe havens (e.g. West Stockwith, Keadby Lock, Gloucester Docks) by craft with river only licences will be withdrawn. River craft will be allowed to stay for up to 14 days in the haven. Similarly, the transit charge for use of the Selby Canal will be withdrawn for river-licensed craft.

We will publish a list of the very few remaining additional charges before 1st April 2003.

2.5. Extending the scope of the licence

Several user group representatives were disappointed that the review was not being undertaken as an integral part of the development of a single licensing system covering all inland navigations. This was not one of the review's objectives, and it would not have been feasible to embrace it given the available timescale. The Environment Agency was however included in the consultation and was represented at all key meetings. This experience will help them in their work, now underway, to harmonise the three systems currently in place in their different navigation areas.

We made some progress in defining a more flexible and attractive alternative to the current Gold Licence which allows long term licence holders access to all BW and EA navigations. A 'Gold Upgrade' option was defined but needs further work, so negotiations will continue on this with a view to introducing it in 2004.

A BW 12 month canal and river licence will be valid on our Scottish waterways.

2.6. Boats without permanent moorings

The initial May discussion document suggested that boats that cruised continuously around the network with no long term mooring might pay a premium on their licence. Usage was subsequently ruled out as a cost driver (see para 2.1), but the suggestion prompted by far the largest response to any of the consultation issues. Strong and opposing views came from individuals and groups. This has reaffirmed the imperative for clear guidelines to help customers decide whether or not they qualify for 'continuous cruising' status. Separate consultation is now underway on this issue and will be reported as soon as possible.

2.7. Fees for craft operated for business purposes

We have begun a separate review of charges for business customers. Pending the results of this, the prices for business use of craft relative to privately owned boats will remain largely unchanged. There will be a reduction in the fees for the hiring of pleasure boats by the day or hour as a means of encouraging this activity. Licence types have been rationalised to remove unnecessary differentials and a new Freight Vessel registration is introduced for businesses that carry freight under BW's Carriage of Freight Conditions. Details of the fees for business licences in 2003/4 are included in *Updates for Business Customers, February 2003*. A copy of this is enclosed.

2.8. Payment terms

(a) Prompt payment discount

The 10% prompt payment discount will remain, but to qualify, the payment will have to be made in full in advance of the licence start date.

(b) Refunds

We have reduced the penalty on customers from early cancellation of a licence. The old and new rates are as follows:

Timing of refund application	Current refund	New refund
before end of month: 1	80%	80%
2	60%	75%
3	40%	65%
4	32%	57%
5	24%	48%
6	15%	40%
7	0%	20%
8	0%	10%
9-12	0%	0%

(c) Direct debits

The following changes will apply to licences and mooring permits

- (i) The surcharge for payment by direct debit is removed.
- (ii) The prompt payment discount will not apply to direct debit **instalment** contracts.
- (iii) The payment profile is changed: the first instalment will be 20% of the total fee and remaining monthly instalments calculated by dividing the remaining 80% by 4 for payment over 5 months, or by 8 for payments over 9 months.
- (iv) We will collect payments in respect of licence renewals automatically unless the customer has notified us that they wish to discontinue the licence or switch to a different payment method.

These changes are designed to correct a design error created when we first introduced the direct debit facility. A licence is a one-off purchase not comparable to budget payment plans for gas, electricity etc. An instalment facility by direct debit is effectively an extension of credit by BW to the customer. The current mis-match between the monthly profile for refunds and that for direct debit instalments means that instalment customers cancelling a licence early remain with a debt to BW which is often difficult to recover.

These prompt payment and direct debit arrangements will apply to BW mooring permits as well as licences. Refund policy for mooring permits is set out in the pro forma mooring contract published separately.

3. Licence types

The following structure will replace the current range of licence types. Section B is an overview of the new pricing structure, availability for different time periods, and shows the new fees for 2003/4. These include a 3% increase on 2002/3 levels.

3.1. Standard licences (England & Wales):

These will cover all privately owned craft, long term and short term. They are subdivided as follows:

- (a) Standard canal and river licence
- (b) Rivers only licence, priced at 60% of (a)
- (c) Houseboat licence - only for houseboats on BW moorings, which do not normally move, priced the same as a standard canal and river licence.

The fee sheets for the 12 months commencing 1/4/03 are shown in Appendices 2 and 3.

3.2. Gold licence (England, Wales, Scotland):

The joint licensing arrangement with the Environment Agency. This remains unchanged from the 2002 structure. Fees for 2003/4 include a 2.5% increase in line with the EA's policy.

3.3. Business licence (England & Wales)

See enclosed *Updates for Business Customers*.

B. Fee levels for 2003/4 and beyond

In October 2002 we launched a separate consultation ('Craft Licence Fees 2003-2006') on licence fees and the linking of annual adjustments to an index that reflected British Waterways' costs.

In particular, we felt that the standard Retail Price Index (RPI), to which fee adjustments were linked until December 2002, was in our view not the most appropriate index available. We proposed instead a composite index that more explicitly reflects the costs BW incurs in maintaining the network.

We received an excellent response to this consultation as well, and would like to thank everyone who submitted ideas, opinions and suggestions. The consultation document is still on the website and available from the Customer Service Centre.

Our proposal to increase fees by 3% over 2002/2003 levels was understood by most respondents and we will do this for all licences valid from 1 April 2003.

On the question of replacing RPI with a composite index, opinion was widely varied. Some argued for retaining RPI because it is simple and well understood. Overall however none of the arguments changed our view that the index should reflect BW's actual costs.

Having accepted the principle that an index other than RPI should be used, we would like to take a little more time to review some of the interesting models suggested by user groups. We will publish our conclusions as soon as we can.

Appendix 1: Summary of fee structure

Licence period	12 months	6 months	3 months	1 month	1 week	1 day	Explorer
Standard licence, Eng/Wales	Basic formula £304+£21*(boat length – 5.5m)	40% OFF 12 month	65% OFF 12 month	85% OFF 12 month	95% OFF 12 month	97% OFF 12 month	80% OFF 12 month
Houseboat licence, Eng/Wales	as basic	n/a	n/a	n/a	n/a	n/a	n/a
Rivers only licence, Eng/Wales	40% OFF basic	40% OFF 12 month	65% OFF 12 month	85% OFF 12 month	95% OFF 12 month	97% OFF 12 month	n/a
Gold licence	Separate structure	n/a	n/a	n/a	n/a	n/a	n/a
Prompt Payment discount	10% OFF(unless instalmt payts)	10% OFF(unless instalmt payts)	10% OFF(unless instalmt payts)	n/a	n/a	n/a	n/a
Disconnected stretch discount	25% OFF basic	40% OFF 12 month	65% OFF 12 month	n/a	n/a	n/a	n/a
Historic boat discount	10% OFF standard or river rate as applic	10% OFF 6M standard or river rate as applic	10% OFF 3M standard or river rate as applic	n/a	n/a	n/a	n/a
Electric motor discount	25% OFF standard or river rate as applic	25% OFF 6M standard or river rate as applic	25% OFF 3M standard or river rate as applic	n/a	n/a	n/a	n/a
Unpowered boat under 10m long	90% OFF standard or river rate as applic	n/a	n/a	£15	£9	£3	£20
Unpowered narrow boat butty, over 15m	50% OFF standard or river rate as applic	n/a	n/a	n/a	n/a	n/a	n/a
Portable, powered, up to 5m, max 4bhp (canals), max 10bhp (rivers)	50% OFF standard or river rate as applic	50% OFF 6M standard or river rate as applic	50% OFF 3M standard or river rate as applic	n/a	n/a	n/a	n/a

Discounts are always applied sequentially to the declining net balance.

Appendix 2: 2003 licence fees for private boats - long term (VAT included)

CANALS AND RIVERS

Boat length less than		FULL PRICE			PROMPT PAYMENT		
metres	feet & inches	12 months	6 months	3 months	12 months	6 months	3 months
5.5 m	18' 1"	£304	£182	£106	£274	£164	£95
6.5 m	21' 4"	£325	£195	£114	£293	£176	£103
7.5 m	24' 8"	£346	£208	£121	£311	£187	£109
8.5 m	27' 11"	£367	£220	£128	£330	£198	£115
9.5 m	31' 2"	£388	£233	£136	£349	£210	£122
10.5 m	34' 6"	£409	£245	£143	£368	£221	£129
11.5 m	37' 9"	£430	£258	£151	£387	£232	£136
12.5 m	41' 0"	£451	£271	£158	£406	£244	£142
13.5 m	44' 4"	£472	£283	£165	£425	£255	£149
14.5 m	47' 7"	£493	£296	£173	£444	£266	£156
15.5 m	50' 11"	£514	£308	£180	£463	£277	£162
16.5 m	54' 2"	£535	£321	£187	£482	£289	£168
17.5 m	57' 5"	£556	£334	£195	£500	£301	£176
18.5 m	60' 9"	£577	£346	£202	£519	£311	£182
19.5 m	64' 0"	£598	£359	£209	£538	£323	£188
20.5 m	67' 3"	£619	£371	£217	£557	£334	£195
21.5 m	70' 7"	£640	£384	£224	£576	£346	£202
22.5 m	73' 10"	£661	£397	£231	£595	£357	£208
Unpowered under 10m		£30			£27		

RIVERS ONLY

Boat length less than		FULL PRICE			PROMPT PAYMENT		
metres	feet & inches	12 months	6 months	3 months	12 months	6 months	3 months
5.5 m	18' 1"	£182	£109	£64	£164	£98	£58
6.5 m	21' 4"	£195	£117	£68	£176	£105	£61
7.5 m	24' 8"	£208	£125	£73	£187	£113	£66
8.5 m	27' 11"	£220	£132	£77	£198	£119	£69
9.5 m	31' 2"	£233	£140	£82	£210	£126	£74
10.5 m	34' 6"	£245	£147	£86	£221	£132	£77
11.5 m	37' 9"	£258	£155	£90	£232	£140	£81
12.5 m	41' 0"	£271	£163	£95	£244	£147	£86
13.5 m	44' 4"	£283	£170	£99	£255	£153	£89
14.5 m	47' 7"	£296	£178	£104	£266	£160	£94
15.5 m	50' 11"	£308	£185	£108	£277	£167	£97
16.5 m	54' 2"	£321	£193	£112	£289	£174	£101
17.5 m	57' 5"	£334	£200	£117	£301	£180	£105
18.5 m	60' 9"	£346	£208	£121	£311	£187	£109
19.5 m	64' 0"	£359	£215	£126	£323	£194	£113
20.5 m	67' 3"	£371	£223	£130	£334	£201	£117
21.5 m	70' 7"	£384	£230	£134	£346	£207	£121
22.5 m	73' 10"	£397	£238	£139	£357	£214	£125

Prompt payment amounts are shown here as rounded to the nearest pound. When you purchase the licence, the amount is calculated exactly to pounds and pence by subtracting the 10% discount from the full fee less any other discounts.

Discounts available (subject to published terms and conditions):

- Disconnected waterways: 25% of canal and river rate for boats with permanent moorings on Monmouthshire & Brecon, Bridgwater & Taunton and stretches of Montgomery Canal not linked to the main network. Only valid for use on the home waterway.
- Historic Boat 10% as previously defined.
- Historic unpowered narrowboat butty, providing it never travels without its motor boat.
- Canal upgrade: 50% off the price of a canal and river licence for holders of concurrent river only licence.
- Portable, powered craft up to 5m max 4bhp (canals) or 10bhp (rivers only): 50% off.

Appendix 3: 2003 licence fees for private boats - short term

The prices shown are for purchase in advance.
Otherwise the price is double the amount shown.

VAT is included

Boat length less than		Canals and Rivers				Rivers Only		
metres	feet & inches	30 day Explorer	1 month	1 week	1 day	1 month	1 week	1 day
5.5m	18' 1"	£61	£46	£15	£9	£27	£9	£5
6.5m	21' 4"	£65	£49	£16	£10	£29	£10	£6
7.5m	24' 8"	£69	£52	£17	£10	£31	£10	£6
8.5m	27' 11"	£73	£55	£18	£11	£33	£11	£7
9.5m	31' 2"	£78	£58	£19	£12	£35	£12	£7
10.5m	34' 6"	£82	£61	£20	£12	£37	£12	£7
11.5m	37' 9"	£86	£65	£22	£13	£39	£13	£8
12.5m	41' 0"	£90	£68	£23	£14	£41	£14	£8
13.5m	44' 4"	£94	£71	£24	£14	£42	£14	£8
14.5m	47' 7"	£99	£74	£25	£15	£44	£15	£9
15.5m	50' 11"	£103	£77	£26	£15	£46	£15	£9
16.5m	54' 2"	£107	£80	£27	£16	£48	£16	£10
17.5m	57' 5"	£111	£83	£28	£17	£50	£17	£10
18.5m	60' 9"	£115	£87	£29	£17	£52	£17	£10
19.5m	64' 0"	£120	£90	£30	£18	£54	£18	£11
20.5m	67' 3"	£124	£93	£31	£19	£56	£19	£11
21.5m	70' 7"	£128	£96	£32	£19	£58	£19	£12
22.5m	73' 10"	£132	£99	£33	£20	£59	£20	£12
Unpowered boat less than 10m long		£20	£15	£9	£3	£15	£9	£3
Unpowered boats over 10m long are charged the same as powered boats.								

Discount: 50% off the price of a canal and river licence for holders of concurrent river only licence.