

# **DIRECTLY MANAGED MOORINGS IN ENGLAND & WALES: PRICING AND VACANCY ALLOCATION CONCLUSIONS AND DECISIONS AFTER PUBLIC CONSULTATION**

## Contents

1. BACKGROUND
  - 1.1. About the consultation
  - 1.2. How we consulted and reached our conclusions
2. RESPONSE TO FINAL PHASE OF CONSULTATION
  - 2.1 Overview of responses
  - 2.2 Mooring provision and pricing
  - 2.3 Options for allocating vacancies
  - 2.4 Other comments
3. CONCLUSIONS AND DECISIONS

Appendix: Summary of 2009 pricing guidelines for BW managers

Simon Salem  
Marketing & Customer Service Director  
22nd October 2008

# 1. BACKGROUND

## 1.1. About the consultation

The purpose of the consultation was to inform, and then seek views from our stakeholders on two critical aspects of British Waterways' (BW) directly managed long term moorings, in the light of a trial of allocating vacancies at the moorings by tender. The 12 month trial started at the end of October 2007 in order to test whether an auction-type system could be used effectively to allocate vacancies at BW's moorings and to yield information that would help us better gauge the market price for each of our directly managed moorings.

The consultation formally began in March 2008 when we published an outline paper setting out our proposed framework for the process. We invited and reviewed comments and published an interim paper in April – this was to give the public the opportunity to lodge comments on the scope and structure of the final consultation to ensure that this would address all the matters that people felt should be included. The subject was discussed at meetings with national boating representatives. The final phase of the consultation began on 28 May 2008 and concluded on 20 August 2008.

Throughout the course of the consultation process, we received just over 200 written submissions from individuals and organisations. In addition, we have taken account of around 350 feedback submissions via the mooring vacancies website and from a programme of independent market research (details of which were set out in the 28 May consultation paper).

All the documents we have published on this subject remain on our website at [www.britishwaterways.co.uk/mooringconsultation08](http://www.britishwaterways.co.uk/mooringconsultation08).

## 1.2. How we consulted and reached our conclusions

We communicated the consultation in the following ways:

- Mailing national boating stakeholder organisations
- Mailing everyone who had written to us on the subject since the announcement of the trial in May 2007
- News item in our monthly e-newsletter sent to c10,000 subscribers (this service is advertised on waterscape.com and is free)
- Waterway press release (28 May 2008)
- Publishing the consultation document on the BW website
- Publicising in the consultation document and elsewhere a series of 16 local public meetings with Robin Evans, chief executive, at which the consultation document was distributed and proactively raised. The meetings took place between 5 June and 31 July 2008. Meetings attended by other BW Directors were also held at the Crick Boat Show and the IWA National Festival. In total some 350 people attended the meetings.

We considered carefully whether to send a copy of the consultation document to all 32,000 BW licence holders but concluded that the cost would be disproportionately high.

We provided an evaluation and scoring form to make responding to the consultation as easy as possible, but made it clear that we welcomed responses in any format convenient to the respondent.

All written responses were logged and coded to clearly show responses to each individual proposal.

After the consultation closed, an analysis of the responses was made and recommendations prepared for BW's directors and the BW Board. Through this process the recommendations were endorsed by the Board on 26 September 2008. Board members were then given the opportunity to amend the last draft of this final report for publication.

## **2. RESPONSE TO FINAL PHASE OF CONSULTATION**

*Throughout, italicised text denotes a quote from a consultee.*

Copies of all verbatim comments from the final phase of consultation can be found on our website at [www.britishwaterways.co.uk/mooringconsultation08](http://www.britishwaterways.co.uk/mooringconsultation08).

### **2.1. Overview of responses**

- (A) Compared with the level of spontaneous feedback we had on and after the launch of the trial, the response to the final stage of consultation was relatively low in volume. Press coverage also diminished noticeably. Very few people commented on the subject during the summer series of meetings with stakeholders, and nobody raised it at the October 2008 BW Annual Meeting.
- (B) There were 49 written responses including those from seven national boating organisations. The largest number of responses (13) came from current boat owners with BW moorings. A further nine were from current or future boat owners seeking a mooring. The Association of Pleasure Craft Operators was the only trade respondent.
- (C) 20 of the respondents said they had previously been on a BW waiting list for a mooring. Half of these people had registered to use the tendering system or had made multiple visits to the website. Six of them had made no visits, had not registered or did not claim to have any understanding of the system. Four had placed tenders using the system.
- (D) The majority of responses demonstrated continued opposition to the tender trial on principle and there was a firm conviction that our mooring vacancies should be offered at a fixed price and include low priced options.
- (E) NABO was concerned about the cost to BW of setting up the trial tendering system and questioned whether it represented good value for money. The main thrust of NABO's response was that it felt waiting lists to be the right method for allocating vacancies, and that BW was 'duty bound' to maintain this method.

## 2.2. Mooring provision and pricing

- (1) The consultation paper opened with a fairly detailed explanation of BW's policies for the pricing and allocation of moorings. This was to help improve peoples' understanding of the wider issues that influenced our decision to move to some form of auction for allocating vacancies. We probably convinced some, but by no means all respondents of our sincerity in trying to establish a system that would make the market work more fairly and efficiently for all parties. Others – perhaps the majority of respondents – appear to feel that market economics is simply not the appropriate tool for mooring pricing decisions. Some felt that BW's dominant position in the market was justification for ruling out any concept of 'market pricing' being appropriate.

### **Our response**

BW is directed by Government to charge market rates.<sup>1</sup> It is not legal for BW as a public corporation to under-price its moorings and effectively unfairly undercut private mooring operators. BW is subject to UK and European Competition Law, and following a thorough review in 2005/6, we are confident that our revised policies and procedures in respect of our moorings business do not adversely affect consumers or other mooring providers. Our Board is vigorous in monitoring how we implement BW's Fair Trading Code of Practice adopted in 2006.

- (2) Many respondents appear to remain convinced that BW should simply increase the number of online moorings as a means of reducing upward price pressure. The response from NABO included an assertion that BW is acting in breach of its statutory duties *"to provide a suitable number of moorings"*. *Section 10 of the Transport Act 1962 imposes a duty on BW to provide on its waterways "services and facilities" ... "to such extent as [BW] may think expedient"*.
- (3) Others continue to believe that BW has a duty to provide low cost moorings. IWA for example claimed that : *"BW has a duty to provide 'lower level' un-serviced moorings which should be provided on a 'first come first served' basis in order to maintain access to the network for those who may be on low or fixed incomes and to prevent 'social exclusion' by creating a network populated only by affluent boaters."*

### **Our response**

The provision within the 1962 Transport Act confers a wide discretion on BW in deciding on the provision of moorings and that furthermore the duty must be balanced with our other statutory duties, including the environmental duties in the British Waterways Act 1995 and in general legislation.

Our current strategy of facilitating a mixed supply of on-line and off-line moorings, both directly and (for the majority) via third party providers, is in compliance with those duties, as is the policy of targeting growth through off-line provision (with, on amenity grounds, some reduction in on-line provision as new off-line provision becomes available).

- (4) The questionnaire invited assessments from existing BW mooring customers of the fairness of our established pricing process. There were only 17 forms returned, but of these, eight agreed that the prices set in recent years were "a fair and reasonable

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<sup>1</sup> Government policy tasks BW with setting market prices for our products and services. The Government's *Framework Document for British Waterways* published by DETR in February 1999 (and which remains the current policy document to which we work) says:  
*Funding*  
*"2.6 British Waterways should maximise, as far as practicable, revenue from its activities by charging a market rate for its services. Whenever practical it should directly charge its customers for benefits received consistent with prevailing market rates and only resort to grant-in-aid to fund activities where, in agreement with the Secretary of State, there are wider social benefits or it is impractical or not cost effective to charge directly for services provided."*

estimate of the local 'going rate' for the type of mooring". Five disagreed with the statement and the remainder were neutral or uncertain. Five out of eight who had questioned the pricing decision were not satisfied with the reasoning given.

***Our response***

This is a very small sample and we cannot therefore assume it to be picture that represents the views of all our mooring customers. However, we agree that there is room for improvement in the information we make available about local pricing decisions and are putting changes in place for the next round of price reviews (see appendix).

- (5) Several respondents felt that our price setting principles were sound, but were critical of the quality of the research we undertook and of the resulting judgements made. A couple of people felt that, as the largest single operator of inland moorings, BW should have the best understanding of market movements and therefore be in a good position to set prices fairly without needing to resort to the radical approach we adopted.

***Our response***

A tender or auction method for allocating vacancies is an efficient way of independently validating our local price decisions - providing of course that we look across several tenders at a site and not draw conclusions from just one transaction. This approach protects BW from criticism that we abuse our dominant position in the market.

- (6) A few respondents continue to believe that the former 'moorings matrix' should be developed as the basis for future price setting. *"The RBOA's position continues to be that the Mooring Matrix (Bollard Score) was capable of meeting BW's criteria and passing the tests of clarity, transparency and not distorting the market, albeit that some work was (is) needed on location scoring."*

***Our response***

We agree that this may be theoretically possible through the use of econometric modelling. To produce a reliable system however would require very extensive data gathering covering numeric coding of the attributes and prices of a very large number of privately operated mooring sites. We do not think that this would represent efficient deployment of resources in the current climate.

## 2.3. Options for allocating vacancies

### (A) Respondents' scoring of alternative options

28 people completed the grid we offered that allowed respondents to score the different options against the criteria of transparency, operating costs, acceptability and measure of market price. The table below shows the average scores assigned to each option for each criterion.

#### AVERAGE ASSESSMENTS BY 28 RESPONDENTS

	How Transparent?	Operating costs	How acceptable?	How good a measure of market price?	Total score *
	1 = not transparent 10 = transparent	1 = high cost 10 = low cost;	1 = poor 10 = good	1 = poor 10 = good	
1. Waiting lists	6	7	8	6	27 (+8)
2 Tender trial	4	3	3	4	14 (-10)
3 Modified tendering	4	4	4	5	17 (-8)
4. Open auction	7	3	4	6	20 (-8)
5. Fixed price with lottery	5	4	3	3	15 (-4)

\* Figure in brackets is the difference from BW's assessment as published in the consultation paper.

Average scores for operating costs and acceptability were relatively close to BW's and it was in transparency and usefulness for market pricing where divergence was most significant. There was little in the comments to explain why people felt the tendering system lacked transparency and we wonder if respondents were aware that the value of all bids placed are displayed on the website after each vacancy closes.

### (B) Specific response themes and our comments on them

#### (1) Waiting lists

The majority of responses demonstrated continued opposition to the tender trial on principle - people simply don't like the idea of bidding for vacancies and feel most comfortable with waiting lists, or at least a system where the price is fixed and given in advance. (*"We are not operating in some middle-eastern bazaar. Auctions are limited to rare things; works of art, antiques or unusual properties"*). The reasoning given was related to the view that bidding automatically favours the wealthy and that it will drive all prices upwards.

Many respondents felt that our comparison between waiting lists and other methods was flawed: there was strong consensus that the old waiting list system was not well managed and that transparency was not good. (*"Your comments about transparency are wrong headed, because they seem to do with how waiting lists have been mismanaged rather than whether they are really a fair method."*)

NABO proposed a new design for waiting lists using a 'points-based' method akin to that applied by housing authorities. It would adapt and make use of the website developed for the tendering trial. *"... the current website could be improved and modified to accommodate Option 1: We believe it is likely to be feasible to modify the current bidding system so that candidates can bid their with waiting list points instead of by cash bids and in that way, moorings should and could be allocated to the*

*person who bids with the most points.”* Others also expressed a preference for a waiting list system operated over the internet.

### ***Our response***

We have difficulty understanding the conviction that auctioning or tenders can only force prices upwards, when the published results to date consistently show that as many as 25% of successfully tendered vacancies are contracted at less than the guide price. We believe that this demonstrates the value of auctioning as an independent check on our estimates of the market price for a mooring.

The costs of operating an improved waiting list system would be equivalent to those of the auction one, but it would not give us the advantage of providing information useful for market pricing reviews.

We do not feel that reverting to waiting lists is compatible with the Government's instruction to us to price to the market. BW does not have duty to provide low cost moorings, so the analogy with housing authorities is not valid.

### **(2) Retain the closed tenders system as per the trial**

This appears to have less support from respondents (even though some user groups argued that tenders were preferable to auctions during the planning phase of the trial in 2007). In only two of the respondent scoring grids did this option come first or second.

Customers clearly find it difficult to decide how much to tender for the mooring because they can't see how much others are offering, and this acts as a disincentive to use the system.

Whilst this option is attractive to BW in terms of cost and effort, the feedback lends more weight to the open auction approach (option 4). We also recognise that the results of closed tendering are an imperfect guide to the true market price because customers do not have the information about other bids.

### **(3) Modify the tendering system**

The modifications proposed were (a) to reduce the tender period from four to (say) two weeks and (b) for the highest price to be set at a specified margin above the second highest price.

There were mixed views on the reduction of the tender period with a small majority favouring maintaining it at four weeks. Cutting to two weeks would help us reduce the revenue void, and would also help customers wanting to conclude their mooring arrangements quickly. On the other hand, it is likely to reduce the market reach so volume of bids may fall.

There was no support from consultees for modifying the tender system so that the highest price was capped at a fixed margin above the second highest bid.

Overall, there was little discussion of, or enthusiasm for this option.

### **(4) Open auction**

This was the first choice for eight and the second choice for nine of the twenty eight respondents who completed the scoring grid.

The improved transparency of this system was acknowledged in several of the responses, albeit reluctantly.

### ***Our response***

This option would recognise two important shortcomings of the tendering system (1) that people find it difficult to decide how much to offer, and (2) that the result is not the best possible estimate of the market price.

This was, and remains, our preferred option. Notwithstanding the passion of opposition from some boaters, feedback from the research and experience of the trial has added some weight to our conclusion.

#### **(5) Fixed price with lottery/random draw**

This was the first preference for just a couple of respondents, including the IWA who said: *“We believe that option 5 is the fairest and most transparent method of allocating moorings, however, the use of the term lottery is an emotive term and a substitute term needs to be found to explain the method of allocation if there is more than one customer.”*

##### ***Our response***

We can understand why this might be a preferred option for people opposed on principle to auctions or tenders. However, we are concerned that it would not contribute the pricing information and provide the checks that will better inform our wider pricing decisions. On the other hand, we can see a role for this option in special circumstances – for example where there are multiple vacancies at a site, or where a vacancy was auctioned with no successful outcome.

## **2.4. Other Comments**

- (1) RBOA expressed particular concern about the implications of tendering or auctions for residential mooring prices, while recognising that *“the system may well offer an acceptable and fair basis for pricing. The exception is Residential Moorings ... Until the provision of legal residential moorings has reached an acceptable percentage of the need it is inevitable that the tendering/auction process will push prices to an unacceptable level. It will be a false market”*

##### ***Our response***

We can understand this perspective from RBOA. Mooring sites with planning consent for residential use are indeed scarce. This is largely for planning reasons and we are pleased to be working constructively with RBOA with the aim of ‘unlocking’ future supply.

We can’t however agree that excluding existing residential moorings from an auction system would be the right thing to do for all the reasons explained for moorings generally – BW should not deliberately hold mooring prices down. There is nothing ‘false’ about the residential boating market – it is simply characterised by much greater demand than supply at the current level of prices.

- (2) References to the tendering website and particularly the presentation of vacancies were all positive – this is the one aspect of the project that appears to have been widely welcomed. Many of those supporting the alternative options for vacancy allocation felt that use of the internet should be maintained. We were also pleased to note that there were no criticisms of the technical design of the system. *“Leaving aside the principle of blind tendering, the website based computerised system for advertising mooring vacancies does have a number of good features. For those with broadband internet, it is easy to access and easy to use and provides comprehensive detailed information on the mooring sites which is readily kept up-to-date. The photographs help give a good feel for the location, although everybody should be advised to visit the particular site before making an offer. As a way of advertising vacancies more widely it is a well designed and effective system, and with internet use continually growing it provides a very good way of disseminating all the relevant information. Of course, as not everybody has internet*



*access, particularly when cruising, it is essential to have the alternative postal notification system which has also been provided.”*

- (3) There were two specific suggestions for extending the use of the website for other moorings needs. One of these was to provide a means by which BW’s mooring customers could organise short term moorings exchanges: *“The new website could have a bolt-on to allow those of us who rent BW moorings in spite of the tender process to do “swaps” - perhaps exchange moorings in the summer for a period. At present many people are away from their moorings for long periods - I was recently away from mine for two months and it stood empty. This would not be a problem for BW as it would be a simple agreement between two owners.”*
- (4) The second development proposed was that the web based advertising system could be offered on equal terms to operators of private mooring sites: *“... perhaps consideration should be given in the future – in the interests of competition transparency – to allowing non BW moorings to be offered on Waterscape at the same costing as BW uses to calculate its own vacancies and in the same manner? (This could be by tender if the process continues or by geographical vacancy listing)?”*

#### **Our response**

We are pleased that people have found the website to function well and we agree that the new ideas proposed above have merit and are worthy of further consideration.

- (5) One respondent made strong representations that we should offer vacancies for auction by metre and not by berth. The reason for this is that where people with shorter boats bid for, and win a vacancy that is longer than they need, the extra space is wasted. *“The last two auctions have been for moorings in excess of 70ft. The winners of the auctions both have boats that are less than this length and are therefore paying for more than is necessary. At the time that the moorings were put up for auction, there was about 240 ft of vacant space on the mooring site but two sites of 72 foot each were auctioned. There could have been an allocation of at least three 60 foot moorings and possible a forty foot as well still leaving room between the boats.”*

#### **Our response**

We understand the potential advantages of offering vacancies on a per metre instead of per berth basis: the maximum size of vacancy could be advertised, and the winning bid would be the one offering the highest price per metre for a specific boat size. The downside of this option for other customers at the site is that it would mean an increase in frequency with which they were required to ‘shuffle’ their position to optimise use of space. Also, it may marginally reduce BW’s mooring income in the short term, until resulting opportunities for space optimisation are realised. We will however give this further consideration.

## **2.5. Overall conclusion on vacancy allocation**

There was consensus amongst respondents that any future system for vacancy allocation should adopt the best elements of the website we developed for advertising moorings availability during the trial. But the boating community appears divided on the detail beyond that. IWA’s preference is for a web-based system for advertising vacancies at a fixed price and allocated on a first come or random draw basis whilst NABO remains committed to waiting lists.

BW has thought long and hard about this. We recognise the strength of opposition to auctions, but we believe that this progression of the trialled system will be in the best long term interests of boaters. We sense that opposition to the system has waned as people become more familiar with the concept. The switch to open auction means that people can make their bid decisions in the full knowledge of what others have offered, and the winning bid will therefore be a truer reflection of the market price. At

a time of such severe economic uncertainty, these regular insights into the strength of demand for moorings is likely to benefit boaters at least as much as BW.

### 3. CONCLUSION AND DECISIONS

3.1. This has been perhaps the most challenging and contentious subject that BW has consulted on in recent years. From our initial announcement of the trial through to the end of the consultation, we have, as outlined earlier in this report and in the public consultation paper, received passionate submissions from boaters opposed to our abolition of a waiting list system for allocating vacancies at our mooring sites. In the papers we have published before and during the formal consultation period, we have attempted to explain why we felt obliged to make this quite radical move. We have also listened to, and re-visited all the arguments re-presented in the responses to the consultation paper.

We still believe that the advantages of testing our pricing through the open market outweigh the disadvantages to people who had been patiently waiting for a mooring under the old system. And we have modified our proposals to include an additional option for advertising certain vacancies at a fixed price.

Against that background, our decisions are summarised as follows:

- (1) We will continue selling BW mooring vacancies through the tendering website while we make the necessary changes to the software, systems and communications to switch to open auctions and, for certain vacancies, fixed price advertising.
- (2) The auction system will have the following features:
  - Leading bid displayed
  - Users able to increase their bid
  - 'Auto-bids' facility in which users have the option of asking the system to automatically increment their bid above the leading bid price, subject to a maximum sum that they specify
- (3) For certain special situations (e.g. when a new site opens offering multiple vacancies simultaneously, or where an auction closed with no bids) we will test the option of selling vacancies at a fixed price. Where multiple offers are received before the closing date, the winning offer would be selected using the computer's random number generator.
- (4) We will continue to provide a postal option which will be based on the above auto-bid function. We are reviewing the additional costs that we incur in servicing the postal option and may need to increase in the registration fee and/or reduce the frequency of vacancy mailings. We will correspond directly with existing postal users on this subject.
- (5) In modifying the system, we will also consider the viability of including the following 'add-on' options:
  - Offering a 'moorings swap' service
  - Offering the advertising service (fixed price or auction) to other mooring providers
  - Advertising vacancies on a per metre basis
- (6) On pricing for existing customers, we will continue to use market analysis principles for the re-pricing of moorings for existing customers. We have made some changes to the guidelines for BW mooring managers to improve public accountability and prescribe the way in which results of mooring tenders/auctions may influence the general price - a summary of guidelines for 2009 is appended. We also propose to reduce the frequency of these major price reviews to every *three* years (as opposed to the current annual cycle) with cost inflation increases in the intervening years.

Exceptions will be made where there are significant changes at a particular site which mean that a re-evaluation is needed.

(7) The following arrangements apply for reviewing and communicating mooring renewal prices to take effect from April 2009:

- Price reviews are currently under way and we aim to complete the moderation process before Christmas.
- During January, we will publish the prices to take effect for renewals due on or after 1/4/09 on the BW website. We will not write to each individual customer as we have done in recent years before Christmas to advise them of the new prices. It is our experience that this notification period – as much as 15 months for customers with renewal dates in March – is excessive and can be confusing. Instead we will publish the news of the new prices and make printed copies available on request for those without internet access.
- The facility for customers to challenge the new rates will remain. We will ask customers wanting to challenge our decision for their site to write to the local Business Development Manager before the end of February 2009.

3.2. Our immediate priority now is to complete the review of prices for existing customers as outlined above and in accordance with the guidance set out in the appendix. At the same time, we will begin to plan the detail of the software and system changes needed for the new open auction system. We aim to begin the development work in earnest after Christmas but at this stage cannot predict the switchover date. We intend to contact some of the individuals who responded with constructive suggestions about improving the system to invite their further input to development and testing.

## Appendix 2: Summary of the 2009 pricing review guidelines

This note provides a summary of the main elements within BW's Managers' Briefing for Reviewing Long Term Mooring Prices.

1. BW must not run long term moorings at a loss. Managers are required to check the profitability of each site as a first step in the price review.
2. They are required to research and maintain good quality information and data about privately operated mooring sites to provide reference points for BW sites.
3. The relevant market within which each mooring site operates is to be defined. For 2009, we have assigned each of our mooring sites to one of a number of defined local market areas. These frequently span different BW administrative units. We have aimed to capture sensible boundaries based on population concentrations and accessibility such that each market area would broadly be expected to contain all the sites which most boaters would consider, on geographic grounds, to be reasonably close substitutes.
4. Within each area, the overall balance of demand and supply will be an important influence on its average level of mooring prices. Differences between prices will, on the whole, reflect site-specific or more 'micro' location factors. Managers are required to provide a brief assessment of supply and demand for each area, taking account of upcoming marina openings, and judge whether overall demand will be expected to increase faster or slower than supply during 2009/10. Managers are also asked to consider recent and imminent changes affecting the site that may be affecting demand or BW costs – e.g. changes to the local environment, improvement (or deterioration) in the quality of service at the site etc.
5. We set out specific guidance on the use of mooring tender results in the pricing judgement. This is as follows:

### 1. Use of tendering data

The highest tender price is NOT an indicator of the market price, but under some circumstances, the results of tenders can provide a steer on whether the price should be higher or lower than the current level. The data must only be used in conjunction with other evidence.

Because we are seeing significantly different tendering results for small berths compared with larger ones, you should analyse vacancies for boats up to 10m separately from those over 10m. **Where you have strong evidence that demand for smaller berths is significantly weaker than for larger ones, you should seriously consider establishing a lower price per metre for small boats – in practice, cabin cruisers.** This can be done easily within the existing pricing framework simply by setting up a new 220 price zone. This will be a progressive move that will support our objective of making 'entry level' boating more affordable.

For drawing conclusions about price increases or reductions, you need to consider:

- Total number of tenders placed
- Number of tenders above/below guide price
- Consistency of results across different vacancies

As a rule of thumb, where you have fewer than around 5 tenders in total across one or two vacancies, you can't safely conclude much other than interest in the site is relatively low. Even if the contract price is above the guide, this is not on its own a signal to increase the price.

Where you have more plentiful data, establish what the top one third percentile value of the total set of tenders was [i.e. one third of all tenders submitted were above this figure – the excel formula is `Percentile(array,0.67)`]. If this value is greater or less than the guide price by more than 10%, this is a reasonably strong indicator that your current price is too low or too high. (When manipulating the data, exclude the highest tender values in the few cases where the highest bidder did not complete the contract. For more recent data where the contract is still in the pipeline, it is reasonable to assume that it will confirm.)

6. Managers are then asked to tabulate key features of private benchmark sites alongside equivalent information for our own directly managed ones.
7. The final step is to document a concise report for each market area to include the key conclusions from the above assessments. Appended to each report is to be a list of all BW directly managed and private reference sites showing key features and current prices (published only where we have the consent of the relevant private operator). A separate table lists the price recommendations for BW sites for 2009 with a note of the reasoning based on all above analysis.
8. Rules for price setting at sites where BW does not provide facilities or land access (e.g. 'end of garden' sites) are as follows:

The price should be set to 50% of the average new price for all towpath moorings in the area, where no facilities are provided. If there are no such moorings, use the price of basic, online moorings provided by other operators. If these don't exist either, take the average of BW sites with level 1 or level 2 facilities, use your judgement to make a downward adjustment to reflect the value of facilities provided, then take 50% of the reduced sum (or average of sums if you can identify several suitable reference sites). To estimate the value of added facilities, consider price differentials between other pairs of comparable sites with and without the facilities.

It is NOT acceptable to apply blanket % price increases to L2/3 moorings. It is important that customers see consistency in the pricing and that you can explain how each price is derived. This is best done by::

- clearly tabulating for all offside moorings, which reference sites you are using for the pricing
- being clear on the adjustment you have made to reflect facilities
- and then cross checking other L2/3 sites in the vicinity to ensure that differences are fair.

It may be feasible to introduce just a single L2/3 price within each newly defined market area. This would be logical, but you should not rush to do this if it would result in large price increases for some customers.

9. The rule for caps to price increases for 2009 is as follows:

Given the current concerns over the economic climate, and pending significant licence fee increases, no existing customer on a leisure mooring site should face a mooring price increase of more than 15% for 2009/10. Previously agreed phasing plans should be respected.

For residential moorings where there is evidence of substantial, below-market pricing it may be necessary to apply higher increases, but these must be flagged for consideration at Director level during the moderation phase of price setting.

This replaces previous phasing guidelines