

# **British Waterways Board**

A report on the service provided by the Board



MONOPOLIES AND MERGERS COMMISSION

# **British Waterways Board**

A report on the service provided by the Board

**Presented to Parliament by the Secretary of State for  
Trade and Industry by Command of Her Majesty  
November 1993**

## Members of the Monopolies and Mergers Commission as at 7 September 1993

Mr G D W Odgers (*Chairman*)  
Mr P H Dean CBE (*Deputy Chairman*)  
Mr D G Goyder (*Deputy Chairman*)  
Mr H H Liesner CB (*Deputy Chairman*)  
Mr A G Armstrong  
Mr C C Baillieu<sup>1</sup>  
Mr I S Barter  
Professor M E Beesley CBE  
Mrs C M Blight  
Mr F E Bonner CBE<sup>1</sup>  
Mr P Brennan  
Mr J S Bridgeman  
Mr R O Davies  
Professor S Eilon<sup>1</sup>  
Mr J Evans  
Mr A Ferry MBE  
Mr N H Finney OBE  
Sir Archibald Forster  
Sir Ronald Halstead CBE  
Ms P A Hodgson  
Mr M R Hoffman  
Mr D J Jenkins MBE  
Mr A L Kingshott  
Miss P K R Mann<sup>1</sup>  
Mr G C S Mather  
Mr N F Matthews  
Professor J S Metcalfe CBE  
Mrs D Miller MBE JP  
Professor A P L Minford  
Mr J D Montgomery  
Dr D J Morris  
Mr B C Owens  
Professor J F Pickering  
Mr L Priestley  
Dr A Robinson  
Mr J K Roe  
Dr L M Rouse  
Mr D P Thomson  
Mrs C Tritton  
Professor G Whittington

Mr S N Burbridge CB (*Secretary*)

---

<sup>1</sup>These members formed the group which was responsible for this report under the chairmanship of Mr C C Baillieu.

## **Note by the Department of Trade and Industry**

In accordance with section 17(4) and (5) of the Competition Act 1980, the Secretary of State for Trade and Industry has excluded from the copies of the report, as laid before Parliament and as published, certain matters, publication of which appears to the Secretary of State to be against the public interest, or certain matters relating to the affairs of particular persons whose interests would, in his opinion, be seriously and prejudicially affected by publication and publication of which appears to him not to be in the public interest. Accordingly certain parts of the text have been omitted. The omissions are indicated by a note in the text.

# Contents

	<i>Page</i>
<i>Chapter</i>	
1 Assessment.....	1
2 Background.....	11
3 Strategy and planning.....	17
4 Financial framework and control.....	26
5 Organization.....	44
6 Human resource management.....	56
7 Management information systems.....	72
8 Management of the BWB estate.....	89
9 Development projects and their management.....	95
10 Contracting out and market testing.....	115
11 Maintenance of the waterways.....	125
12 Waterway use, charging and income.....	141
13 Conservation of the heritage and environment.....	154
14 BWB's actions on the 1987 report on the maintenance of its waterways.....	159
15 Summary of recommendations.....	178
Glossary.....	185
 <i>Appendices</i>	
(The numbering of the appendices indicates the chapters to which they relate.)	
1.1 The reference.....	190
1.2 The waterways network.....	192
2.1 Transport Act 1968: Schedule 12.....	193
2.2 BWB: statement of objectives agreed with the DoE (26 July 1984).....	196
2.3 Integrated Business Strategy.....	198
2.4 Inland waterways and harbours vested in the Board.....	200
2.5 Summary of BWB canal lengths.....	201
2.6 Statutory duties of BWB.....	202
3.1 Check-list of Corporate Plan features.....	209
3.2 Performance targets.....	210
4.1 BWB: Finance Department structure.....	211
5.1 Devolution of functions and activities to regional management.....	212
5.2 Interested third parties which provided evidence.....	220
5.3 Summary of the views of interested third parties.....	222
6.1 Examples of annual hours agreements as operated within BWB.....	232
6.2 Examples of BWB travel and overtime records.....	233
7.1 Purchasing system: output reports.....	234
8.1 BWB policy guidelines.....	235
9.1 The Limehouse project.....	242
9.2 Leeds Canal Basin project.....	244
10.1 Examples of contract work, 1992/93: 1. Trent & Mersey Canal; 2. Worcester & Birmingham Canal.....	245
10.2 BWB's procedure for initiating major works.....	248
10.3 Procedure for selection of contractors.....	249
10.4 List of activities for market testing.....	250

	<i>Page</i>
11.1 Navigation standards-operation and maintenance .....	251
11.2 Typical maximum craft dimensions .....	253
11.3 Waterway Standards-example page .....	254
11.4 Waterway Standards .....	255
11.5 Engineering inspection procedures: frequency of inspections .....	256
11.6 Flow chart for reporting .....	257
11.7 Repairs to the retaining walls of the Maida Hill Tunnel, Regents Canal, London .....	258
11.8 North West & Scottish Region procedure for prioritizing workload .....	260
11.9 BWB: waterway maintenance-responsibilities .....	262
11.10 Direct waterway costs per kilometre, 1992/93 .....	264
11.11 Dredging factors, Midlands and South West Region .....	265
11.12 Estimated total dredging costs by region in 1992/93 (including EPA) .....	266
11.13 BWB: dredging in North East Region .....	267
11.14 BWB classification system for sediment .....	268
11.15 Summary classification of sample points using BWB classification system for sediment .....	269
11.16 Lock gate replacement programme regional requirements for 1992 to 1997 .....	270
11.17 Case study: refurbishment of Anchor Lock, Gargrave, Leeds & Liverpool Canal .....	271
13.1 Environmental check-list for assessing business plan proposals .....	274
13.2 List of corridor studies .....	276
13.3 Examples of heritage sites which are to be substantially improved and refurbished in 1993/94 .....	277
Index .....	279

# 1 Assessment

1.1. We have been asked to investigate a number of questions relating to the efficiency and costs of and the services provided by the British Waterways Board (BWB) in carrying out its functions and the extent to which it meets its objectives agreed with the Department of the Environment (DoE) on 26 July 1984 (see Appendix 1.1).

1.2. In this chapter we discuss the main issues arising from our investigation. A summary of our recommendations, including wherever possible specific target dates for implementation agreed with BWB, appears at the end of the report in Chapter 15. We draw attention to key recommendations in that chapter in bold type.

1.3. This is our second report on BWB. In Chapter 14 we set out in summary form the recommendations made in our first report<sup>1</sup> and what BWB told us about the actions it has taken (or has refrained from taking) on each recommendation. To these we have added our own comments made in the light of our recent investigations.

## Background

1.4. BWB was established as a separate nationalized freight transport industry by the Transport Act 1962. It has responsibility for certain inland waterways, together with associated harbours, docks, vessels, warehouses and estates. Under the Transport Act 1968, BWB's waterways were divided into three categories: commercial, cruising and remainder. BWB has to maintain the commercial and cruising waterways and keep them fit for navigation for vessels of the size normally using them in 1967. It is required to deal with remainder waterways in the most economical way consistent with public health, amenity and safety.

1.5. The network of canals and other waterways for which BWB is responsible totals some 2,000 miles. Cruising waterways (those used primarily for leisure traffic) account for about 58 per cent of the total, commercial waterways for around 19 per cent and remainder waterways for the balance of 23 per cent. This reflects the profound change over the years in use of the network, which has largely lost its original function of carrying freight. Some waterways are owned by other bodies, such as local authorities and canal trusts. The map at Appendix 1.2 shows the complete waterways network in Great Britain, and identifies those for which BWB is responsible.

1.6. BWB has some profitable activities (in the sense of covering direct costs and making a contribution to overheads) such as boat licensing, the provision of moorings, supplying water, letting properties and developing sites, but the network as a whole is not commercially viable. Its need for support (a grant in 1992/93 of some £51 million from Government and a further £6 million from other sources, mainly local authorities) arises from the high cost of meeting its extensive public service obligations. It has to maintain a 200-year-old canal system in a safe

---

<sup>1</sup>*British Waterways Board: a report on the efficiency and costs of the Board in the maintenance of its waterways*, Cm 124, May 1987.

condition. This outstanding heritage from the first industrial revolution has many fine listed structures which are expensive to keep in good repair. Indeed the whole canal network is part of the nation's heritage and many canals are themselves listed. BWB also has extensive environmental responsibilities, including over 60 sites of special scientific interest (SSSI) and hundreds of conservation areas and areas of special landscape character. Countless walkers and picnickers enjoy the waterways, and there is no practicable way of imposing charges on them even if it was thought desirable to do so. Similarly, BWB's important contribution to land drainage is made largely free of charge.

## Performance

1.7. We are first asked in the terms of reference whether, in carrying out its functions and in meeting the objectives agreed with the DoE, BWB could improve its efficiency and thereby reduce its costs without affecting the quality of the service it provides.

1.8. In reviewing BWB's performance, we have been struck by the transformation since our last report. It has changed from a centralized organization orientated towards administering a grant to one developing a strong commercial outlook, whilst still meeting its statutory obligations, and enjoying the new philosophy of devolution to the regions and, within the regions, to individual waterways. In the process the number of staff has been reduced by about a third between 1981/82 and 1992/93, while the general quality of staff has been improved by a strong emphasis on training and, where necessary, by recruitment from outside. This has been accompanied by an increased level of contracting out.

1.9. BWB believes that much of its improved performance arises from its Integrated Business Strategy (IBS), which was formally approved by the DoE and the Treasury in spring 1989. The IBS aims to enable BWB fully to exploit its non-operational property to give future revenue streams, to reduce operating costs and to improve waterway standards. BWB has calculated that on a net present value (NPV) basis the IBS is clearly preferable in the medium and long term to the alternative of selling off all the non-operational property. BWB has conceded that the IBS is not strictly a strategy (see paragraph 1.27) but has attributed more of its improved performance to the IBS than we would. However, we still prefer the IBS to the property disposal option because we believe that BWB's exploitation of those of its properties which have development potential is integral to the future of the waterways.

1.10. The IBS is entirely compatible with the statement of objectives BWB agreed with the DoE in 1984 (see Appendix 2.2), in particular, that the greater part of the canal network should be managed imaginatively for the purposes of leisure, recreation, amenity and conservation; that public use and enjoyment of the waterways should be enhanced; and that opportunities to expand and develop profitable activities should be pursued, in conjunction with the private sector, where possible.

1.11. We have been left with the impression of undue concern within BWB about preparing the organization for privatization. There is a danger that such concern might distract staff from their primary task of improving BWB's performance under present arrangements. We applaud the desire within BWB 'to operate with the same kind of energy as a private company'. However, BWB's recent performance suggests that this is reconcilable with present arrangements. We are sure that the Government's recent statement that there is no intention to privatize BWB 'in this Parliament or any subsequent Parliament'<sup>1</sup> will encourage all at BWB to concentrate on that primary task.

---

<sup>1</sup>Second reading debate on British Waterways Bill: *Hansard*, House of Commons, 17 May 1993, column 81.

1.12. We were concerned to note the feeling amongst some of BWB's customers that their complaints had been dealt with neither expeditiously nor with sufficient understanding of their problems. We therefore welcome both BWB's recent publication of a Customer Charter<sup>1</sup> and its appointment of a waterways Ombudsman.

1.13. It seems to us that over the next few years BWB faces a dual challenge:

- (a) to maintain the momentum of improvement in its performance by sustaining and developing its more recently found commercial ethos; and
- (b) at the same time to achieve and show that it is achieving the right balance between its commercial drive and its responsibilities which range far more widely than those of an ordinary commercial organization. This is particularly true in the area of conservation.

1.14. As we indicate below, we have made a number of recommendations aimed at reinforcing BWB's own drive to improve its performance. We believe that BWB could improve its efficiency and reduce its costs without affecting the quality of the services it provides, and that the quality of BWB's services could be improved without any increase in costs.

1.15. The further broad question in the terms of reference is whether an improvement in the quality of BWB's services might generate higher net revenue. This is a difficult question to answer in the absence of:

- (a) a systematic study of the elasticities of demand of the kind we recommend (see paragraph 1.23); and
- (b) a costing system capable of routinely providing information on the costs of enhancing the level of a particular service (see paragraph 1.39).

We have concluded, however, that there is considerable scope for BWB to expand its share of the leisure markets. If this is coupled with an adequate knowledge of elasticities of demand and an improved costing system, we expect BWB to be able to reflect improvements in the quality of its leisure services in its charges.

### ***Particular questions***

1.16. We now turn to the particular questions in the terms of reference.

#### ***(a) The extent to which BWB has implemented the recommendations of our 1987 report***

1.17. As we show in Chapter 14, BWB has made good progress in implementing our 1987 report. It has for the most part addressed the recommendations positively and constructively. The development of business planning, the introduction of waterway standards, the revision of project control guidelines and the introduction of new computerized accounting and reporting systems are

---

<sup>1</sup> *Caring for Britain's Waterways*, published by BWB under the emblem of the Citizen's Charter, August 1993.

particularly noteworthy. It is disappointing that BWB has not made more progress in studying systematically the relationship between price and demand in its leisure activities, and that the Board is still entirely composed of non-executive directors. We return to these matters at paragraphs 1.23 and 1.24. As to property development, BWB has, as we recommended, pressed ahead strongly with developing revenue from its estate. Our worry is that there may now be too much emphasis on the property side of the business.

***(b) The scope for contracting out the Board's operational and support services and***

***(c) BWB's procedures for market testing***

1.18. On the operational side, BWB has contracted out some 90 per cent of its major works and over 40 per cent of its routine maintenance work. There is little scope for further contracting out of major works, apart from dredging. BWB's experience in contracting out routine maintenance has been of variable cost-effectiveness, leading us to believe that the scope for further contracting out of this activity is likely to be limited.

1.19. As to support services, BWB intends to market test a number of functions including payroll administration, credit control and aspects of information technology with a view to contracting out if appropriate. There is, however, a misconception within BWB of the arrangements for market testing, and as a result BWB has failed to make a full cost comparison of in-house bids where these are still feasible against those obtained from external sources.

1.20. We have made recommendations aimed at improving BWB's contracting-out and market testing procedures (see paragraph 10.52).

***(d) The efficiency and effectiveness of BWB's long-term preventive maintenance and repair programme***

1.21. The efficiency and effectiveness of this programme has improved very significantly since our 1987 report. The introduction of the Waterway Standards for navigation and environment and devolution to Regional and Waterway Managers have improved long-term maintenance. It is planned that 'critical arrears' of maintenance should be eliminated by the end of 1996/97. The normal programme of contract works should then prevent the further build-up of such arrears. We have recommended that once the critical arrears programme has been completed the maintenance budget should accommodate all works required to maintain the system without incurring further critical arrears.

1.22. We have noted the criticism of BWB's dredging programme but conclude that, although some lengths and spot locations need urgent attention from time to time, BWB is broadly meeting its obligations to provide adequate navigation channels to satisfy present traffic. However, in the light of the standards set out in the Customer Charter, published in August 1993, much remains to be done for which significant budget allocations will need to be made in the near future. We have recommended ways in which BWB could improve communications with users on dredging matters at national and local levels. We have also recommended that BWB should retain a sufficient dredging capacity to enable a fast response to emergencies such as a blocked waterway but that all planned dredging operations in all regions should be contracted out with effect from 1 October 1994, unless such contracts are shown to be less cost-effective than in-house operation. BWB has succeeded in providing dredging tips for its immediate needs but there is a potential shortage, particularly in the light of the effects of the Environmental Protection Act 1990 (EPA). We are concerned that BWB's restrictions on dredging activities will before long recur, to the detriment of

users. We have recommended that BWB should approach the DoE for help in dealing with the various authorities in order to speed up the licensing process of its own tips and those of contractors it proposes to employ.

- (e) BWB's methods for determining the level of charges to customers and***
- (f) the scope for increasing revenue from fees and charges and***
- (g) the extent to which BWB could increase net revenue through promoting a greater range of chargeable activities***

1.23. We have found that there is considerable scope for BWB to expand its shares of the water-related leisure markets but that BWB lacks key information about the responsiveness of demand to changes in price. We have recommended that it should study systematically such responsiveness and estimate demand elasticities. We have also made a number of detailed recommendations aimed at improving its revenue from leisure activities, including the creation of a more active and aggressive marketing strategy and the allocation of responsibility for the development of BWB's leisure and tourism business to a single manager within its Commercial Department. There is evidently scope for BWB to increase net revenue from a greater range of chargeable leisure activities.

- (h) The scope for improving BWB's management structure and the use made of its manpower***

1.24. It is in principle unsatisfactory that BWB's Chief Executive and departmental directors are not on the Board and so do not share directly in the Board's formal and collective responsibilities. Second, we find a lack of clarity in the Board's minutes. Third, we note that, when the present Chairman was reappointed, his commitment was, at his request, reduced from three to two days a week with effect from 1 April 1993, although we understand that he continues in practice to work in excess of three days a week. We have recommended that the Chief Executive, the Director of Finance, the Commercial Director and the Director of Engineering should be appointed to the Board; that the Board should ensure that approval for all significant projects, developments or changes is sought at meetings of the Board; and that the Board's decisions are recorded in the minutes, using clear and consistent terminology. We have also recommended that the Chairman should be appointed for four days a week. This recognizes BWB's diverse objectives, widely dispersed locations, and multiplicity of users and interest groups.

1.25. We referred in paragraph 1.8 to the success of BWB's philosophy of devolution from the centre, and noted the significant reduction in staff numbers, which has been combined with regrading and improved manpower flexibility. The process of restructuring has, however, been costly and there has been an element of wage drift. In order to address this problem, we have recommended that BWB should now give priority to monitoring the payroll to ensure that wage drift does not recur. We believe that an effective system of work measurement would also assist BWB to control costs and have recommended that a standard system across the BWB network should be in place by April 1994.

***(i) The scope for involving the private sector in the management of BWB's assets***

1.26. The private sector is already involved in a large number of locations either as lessees or as partners in ventures involving, for example, moorings, docks and buildings. We believe there is in addition scope for greater use of local estate agents to assist in the disposal of BWB's numerous low-value sites (see paragraph 1.28). Bearing in mind BWB's diverse responsibilities, we doubt whether the private sector could be usefully involved in the management of individual waterways. They are, in our view, better left within BWB's successful devolved management system. More generally, we have found that BWB has relied too heavily on consultants for management, policy and technical advice which its own staff could be expected to provide. We have recommended that BWB should place more reliance on its own management and professional staff and less on consultants.

***(j) BWB's procedures for assessing priorities including its corporate planning process***

1.27. We referred to the IBS in paragraph 1.9. We regard it more as a statement of management philosophy than a strategy. It does not, for example, include a statement of priorities and how they are to be balanced; therefore amenity, leisure, environment and heritage ostensibly enjoy equal consideration with commercial and cruising use and maintenance of the waterways. The IBS was originally assessed, and has since been reassessed, against a narrow methodology-essentially an NPV analysis-and has been evaluated exclusively against options for property disposal. In our view, this has led to an undue emphasis on the property aspects of the IBS and the danger of the property tail wagging the waterways dog. A much wider range of criteria would be appropriate and the development of alternative waterway plans would facilitate strategic planning. We have recommended that BWB should reconsider the criteria by which strategies are chosen, and then agree a more explicit strategy with the DoE. The 1994/95 Corporate Plan should set out the reconsidered criteria on which BWB should be judged and its performance against each of them; and the 1995/96 plan should indicate the relative importance given to each criterion. We have also recommended that BWB should give more prominence in its corporate plans to its arrangements for co-operation with funding bodies other than the Government (see paragraph 1.29).

***(k) The scope for improvement in estate management by BWB; in the effectiveness of its programme of rationalization of its low-value sites; and in the extent to which its approach maximizes the return from its sites with potential for development***

1.28. BWB has over 15,000 properties ranging from narrow strips of land alongside its canals to substantial acreage surrounding its docks and basins in urban areas, and from small cottages to big warehouses. Many of its sites are of low value and yield little, but are costly to manage. We found that this large widely-dispersed estate was in general efficiently managed on a day-to-day basis, and that it was carefully sifted for the small proportion of properties with development potential.

1.29. Some of the most effective developments on the waterways are those either wholly carried out by local authorities and other funding bodies or carried out by those bodies with the involvement of BWB. We believe that the willingness of other funding bodies to participate is a broad indication of the value of the improvements in public amenities, a 'public good' for which it is not usually practicable for BWB to charge. While we doubt the practicability of quantifying such benefits with any reasonable degree of accuracy, we believe it is a truth universally acknowledged that they are substantial. We have recommended that BWB should give at least equal funding

priority to co-operation with other funding bodies as it gives to funding of ventures in which the private sector is involved, and also give more prominence to such arrangements in both its corporate plans and its reports and accounts.

1.30. BWB's programme for disposal of its low-value sites has made rather slow progress. We recognize that the market has been unfavourable and that disposal is time-consuming but we believe that BWB should now step up its efforts to reduce these sites to more manageable numbers. This should allow it to concentrate on its income-generating properties. We have recommended that within the next five years, BWB should aim to dispose of all its low-value sites which are unable to play a significant role in future developments, are relatively costly to manage and are not required for access. We also recommend that BWB should use local estate agents as necessary.

1.31. BWB has identified some 600 properties with development potential. We carried out case studies of three of the larger developments, *Stanley Ferry*, *Bulls Bridge* and *Willow Grange*, and reviewed two more, *Limehouse Basin* and *Leeds Canal Basin*, to gain some insight into the quality of this area of BWB's work. We found that its performance was mixed.

1.32. The *Stanley Ferry* project, aimed at raising the value of the site and generating income, showed a high degree of professionalism on the part of BWB. At the same time BWB achieved significant environmental improvement and the restoration of a listed building. This demonstrates BWB's proper role as a facilitator, using its skills and expertise in waterway developments in the context of its wide-ranging public responsibilities. It should, in our view, continue as far as possible to leave risk-taking to its commercial partners whose proper entrepreneurial function it is.

1.33. The redevelopment of BWB's *Bulls Bridge* site was a complex project. The site was worth over £[ \* ] but was occupied by four tenants of BWB, and they received substantial compensation for surrender of their leases or in one case for surrender of a right of way. BWB emerged with a gain of some £2 million, and control of the residential mooring activities adjacent to the site. The back-to-back negotiations eliminated all significant risk to BWB. In our view the outcome reflects credit on BWB.

1.34. We found cause for concern in the project to establish BWB's headquarters at *Willow Grange*. This followed the recommendation in our 1987 report that BWB should carry out its intention to bring all its Head Office staff together. The cost escalated from £4.7 million to £9.4 million primarily because of the decision to exploit the site more fully by constructing a larger building than BWB needed for its own use. This introduced a purely speculative element into the project. There were also many delays and by the time it was finally decided to go ahead with the project in November 1989 there were indications that the property market had turned. The Board of BWB, although kept advised of developments at key times, had little involvement and were never formally asked to approve the project. The Board 'noted' rather than approved the final project in the Board minutes (on the basis that the project was for the DoE to approve). Insufficient attention was paid to risks and costs involved in the total project, and there was a lack of clarity and a degree of informality in decision-making and in the Board's involvement. The leasing of temporary accommodation at Greycaine Road, Watford, was also, in our view, less than satisfactorily handled: the risks were underestimated; the scale of the commitment was not fully appreciated; and financial controls on taking on property leases proved to be inadequate. This latter point bears out our criticism of the Board and its lack of formality at paragraph 1.24.

1.35. BWB argued that because of the savings from the substantial improvement in organizational efficiency, the main reason for establishing its headquarters at *Willow Grange*, it was fair to conclude that the project had been a considerable success. We acknowledge the gains in efficiency but believe that they could have been achieved more economically.

---

\*Figure omitted. See note on page iv.

1.36. The *Limehouse Basin* and *Leeds Canal Basin* projects are joint ventures in which BWB has a 49 per cent share (the maximum allowed under Government guidelines). In each case it has provided substantial funds. Present figures show a small surplus on the *Leeds Canal Basin* project. However, part of the funds invested in the *Limehouse Basin* project now appear to be in jeopardy. We doubt whether in making these arrangements BWB took fully into account the risks involved if the developments did not go according to plan. We understand that with the benefit of hindsight BWB would not enter into further joint ventures of this kind.

1.37. Looking at the five projects covered by our case studies and reviews as a whole, we found that BWB was an effective facilitator of all the developments. But its taking on significant development risks in the *Willow Grange*, *Limehouse Basin* and *Leeds Canal Basin* projects has so far not maximized BWB's returns on the funds invested. It is too early to say what returns and increases in net asset value BWB may eventually achieve from these projects but there have been serious setbacks (see Chapter 9). In these cases BWB's appraisals showed excessive optimism in their focus on possible large development gains. We have recommended that BWB should avoid taking a significant share in development risk and hence in the funding of developments, restricting its role mainly to acting as facilitators.

***(l) The scope for improving BWB's financial and management systems and  
(m) BWB's operational flexibility, and ability to control costs and increase revenues, bearing in mind the legislative framework and development control procedures within which they operate***

1.38. We have already commented favourably on BWB's introduction of a new computerized accounting and reporting system following our 1987 report (see paragraph 1.17). Nevertheless, two main issues arise from our study of BWB's present financial and management systems: cost analysis and the management information strategy.

1.39. The existing cost allocation system provides costing information on a waterways basis. There is little or no regularly available information which enables BWB to separate the cost of providing its public amenity services such as drainage, public safety and heritage from the costs of providing facilities for cruising, mooring, commercial navigation and angling. In our view, a successful integrated strategy for BWB's business depends on awareness of the costs and benefits of each service it provides and the determination of priorities for expenditure. This requires a different system of accounting for costs and we have recommended one which identifies the costs of providing the basic public amenity services and separates the costs associated with the provision of special user facilities. This would have the objective of facilitating BWB's progress towards identifying the value of those of its activities for which there is no specific income stream.

1.40. Parts of BWB's information technology systems are not yet meeting users' needs. Bearing in mind that BWB's current review of these systems has so far made little progress, we have recommended that it should undertake a full review of its management information strategy and present systems to ensure that they meet users' needs at least cost.

1.41. Two matters presently outside BWB's control affect its operational flexibility. First we found that developments close to waterways can increase significantly its liability for water containment and safety. We have accordingly recommended that BWB should be a statutory consultee in local authority planning applications for sites which are sufficiently near to BWB's waterways to require specific works to guarantee the safety of the site and waterway concerned. Secondly, the present lack of automatic powers of access through riparian owners' lands adjoining its waterways for the purpose of carrying out emergency or maintenance works causes difficulties

and increases costs. BWB is seeking such powers in its Bill at present at the Committee stage in the House of Commons.

***(n) The scope for improving the cost-effectiveness of BWB's expenditures on conservation of the heritage and the environment***

1.42. As the specific costs of maintaining the heritage and environmental aspects of BWB's waterways and associated structures are not accounted for separately, the cost-effectiveness of such work cannot be properly assessed or controlled. We have recommended that:

- (a) heritage and environmental costs should where possible be separately analysed; and
- (b) the various heritage and environmental responsibilities should be brought together in a single unit reporting to the Director of Engineering, who should be responsible for ensuring that its remit runs throughout the network.

## **Conclusion**

1.43. We have identified (see paragraph 1.2) the following priority areas for improvement in BWB's performance:

- (a) corporate planning;
- (b) identification of costs;
- (c) co-operation with funding bodies other than the Government;
- (d) the composition of the Board and the recording of its decisions;
- (e) the control of costs of human resources;
- (f) BWB's role in local authority planning applications;
- (g) authorization of financial commitments;
- (h) contracting out; and
- (i) water-related leisure markets.

As indicated in paragraph 1.2, the recommendations which require particular attention in those areas have been set out in bold type in Chapter 15.

1.44. BWB itself knows that it has some way to go to implement fully its commercial ethos and its Board wishes to maintain the momentum imparted by its present Chairman. We have been concerned to assist in this endeavour and in our assessment we have given due weight to BWB's substantial achievements since our 1987 report, which we outlined in paragraph 1.8. We welcome the considerable progress it has made in changing the culture of the organization and sensitively managing a sharp reduction in staff numbers. We saw enthusiasm and dedication at all levels of BWB.

1.45. We are required to consider whether, in relation to any matter falling within our terms of reference, BWB is pursuing a course of conduct which operates against the public interest. We find that it is not doing so.

1.46. Heritage and Environment have become two of the most overloaded words in the English language and they are not easy to define. However, money spent on the canal system from whatever source will, by and large, in town centres do something to mitigate the surrounding dark satanic mills and in the countryside will give access to green and pleasant land. This, in the ranking of national priorities, has much to commend it and we in turn commend British Waterways, the Board and its staff for the work they are doing.