

Scottish Canal Commercial Operators - Trading Agreements and Fees

Introduction

A commercial operator is anyone using a vessel for hire or reward or for other than private personal enjoyment. All commercial operators in Scotland must have a trading agreement with British Waterways setting out the terms of business and the obligations on both parties. Trading agreements apply to commercial operators who use the man made sections of canal or who operate from BW owned land.

Trading Agreement

The trading agreement with BW includes the following where applicable:

- **Lease for Use of BW Land**

BWS leases for use of BW land to sit back to back with trading agreements wherever appropriate.

- **Trading Fee**

BW are required by the government to act commercially and must demonstrate that commercial operators are paying a fair and proportionate fee for the value they derive from the Scottish Canals. The trading fee includes the following:

- **Licence Fee**

The Licence fee covers issues relating to the use of navigations. The Licence fee for a Scottish navigation licence is currently £112.50 per annum, including VAT, and will remain fixed until 31st March 2008. A review of the Scottish navigation licence fee including consultation in accordance with BW's Openness and Accountability policies will take place prior to any change.

- **Mooring Fees**

Mooring fees are set locally based on an assessment of differential market pricing and local conditions.

- **Turnover Related Fee**

Turnover related fees are a percentage of the turnover of the business. Monetary turnover related to achieved market prices is the best measure for matching the value of the canal to a business. Turnover figures require to be certified by auditors and supplied to BW. Individual operator information will be kept confidential although where there are sufficient numbers of operators, BW will publish average annual statistics.

Trading Fees for Scottish Canal Commercial Operators

With effect from 1st April 2004, BW implemented trading fees for the categories of commercial operators on the Scottish Canals as follows:

Minimum Trading Fees

- Small capacity hotel boat operators, 12 passengers or less, with a turnover below £150,000 pay a fixed annual trading fee of £1,500 plus VAT to include the licence fee for the vessel and a mooring fee.
- Hire boat operators with a turnover below £100,000 pay for each vessel as if each vessel were a private vessel of equivalent size.
- A passenger trip boat operator with a turnover below £100,000 pays as if the vessel were a private vessel of equivalent size.
- Any other operator with turnover below £50,000 pays as if the vessel were a private vessel of equivalent size.

Trading Fees for Moored Restaurant, Pub or Café Vessels

For moored restaurant, pub or café vessels with a turnover above £50,000 a trading fee of 5% of total turnover applies. Turnover is defined as the total revenue obtained from the operation of the vessel or vessels.

Trading Fees for Passenger Trip Boats

A passenger trip boat operator with a turnover below £100,000 pays as if the vessel were a private vessel of equivalent size.

For passenger trip boats generating turnover above this minimum level, the turnover related fee is based on turnover as follows:

| Turnover | Rate | Total Fee |
|----------------------|------------------------|------------------|
| £100,000 to £150,000 | 2.5% of total turnover | Up to £3,750 |
| £150,000 to £200,000 | 5% of step turnover | Up to £6,250 |
| £200,000 to £300,000 | 5.75% of step turnover | Up to £12,000 |
| £300,000 to £400,000 | 8% of step turnover | Up to £20,000 |
| £400,000 to £750,000 | 5% of step turnover | Up to £37,500 |
| Over £750,000 | 2.5% of step turnover | |

Turnover is defined as the gross revenue, excluding VAT, obtained from the operation of the vessel or vessels less any admission fees paid to third parties on behalf of passengers.

Trading Fees for Hotel Boats

Small capacity hotel boat operators, 12 passengers or less, with a turnover below £150,000 pay a fixed annual trading fee of £1,500 plus VAT to include the licence for the vessel and a mooring fee.

For hotel boats generating turnover above this minimum level, the turnover related fee is based on turnover as follows:

| Turnover | Rate | Total Fee |
|----------------------|-----------------------|---------------|
| Below £150,000 | £1,500 | £1,500 |
| £150,000 to £200,000 | 2.5% of step turnover | Up to £2,750 |
| £200,000 to £300,000 | 4.5% of step turnover | Up to £7,250 |
| £300,000 to £400,000 | 6.5% of step turnover | Up to £13,750 |
| £400,000 to £750,00 | 3% of step turnover | Up to £24,250 |
| Over £750,000 | 2.5% of step turnover | |

Turnover is defined as gross revenue, excluding VAT, obtained from the operation of the vessel or vessels.

Trading Fees for Hire Boats

Hire boat operators with a turnover below £100,000 pay for each vessel as if each vessel were a private vessel of equivalent size.

For Hire Boat operators with a turnover of £100,000 and above, the turnover related fee is 4.5% of hire vessel turnover less BW approved booking agents fees as appropriate. Turnover is defined as revenue generated for the commercial operator by the hire boat fleet. Included within this fee is the cost of an annual navigation licence for each boat.

Vessels Trading at Sea

Any vessel which spends at least 30% of its revenue generating season earning revenue at sea will be entitled to a reduction in the trading fee to reflect the time at sea. The maximum reduction will be 50%. If the vessel attracts a minimum trading fee, that fee will not be subject to discount.

New Vessels

Any existing operator who adds an additional and new (i.e. not second-hand) vessel to their fleet will not have to pay any turnover related element of the trading fee for the first year of its operation. This concession may be available to start up businesses at the discretion of the BW Director, Scotland. Each vessel must have an annual navigation licence.

Very Large Vessels

Any vessel which is of such a size as to require other users to be prevented from using a section of the waterway while it passes will require an individual trading agreement and trading fee.

Payment Dates

Each season will run from 1st April to 31st March the following year. Payments for licences and moorings and any minimum payments are to be paid to BW by the end of April for the season just commenced.

If additional trading fees are likely to apply they should be paid monthly in arrears. To simplify calculation, the operator can choose to pay on the basis of charges in the previous year or on the basis of actual business achieved in the current year.

If the operator chooses to base payments on the previous year a balancing payment should be made by the end of July, October, January and the following April taking into account actual business achieved in the periods up to the end of June, September, December and March.

Review of Trading Fees

A review of the trading fees for commercial operators will be undertaken by BW prior to the end of their contract term.

1st April 2007