



DIRECTLY MANAGED MOORINGS: PRICING AND VACANCY ALLOCATION

PUBLIC CONSULTATION SUMMER 2008

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MESSAGE FROM ROBIN EVANS, CHIEF EXECUTIVE

This consultation is about how we should allocate vacancies at our directly managed moorings. These account for approximately 15% of long term moorings on our network, so this is an important issue for many customers.

The three groups of stakeholders with an interest in this subject have differing needs and expectations:

Boaters want a good choice of readily available moorings at a fair price.

Boating businesses need a level playing field without any risk of unfair competition arising from grant funding to BW.

Government expects transparency and pricing which is based on prevailing market conditions

All the money that BW earns from moorings is used to maintain the waterways for boaters. But boaters need more than channels, towpaths and well-maintained structures. As well as places to tie up when not cruising, they need boat servicing, repairs, chandlery etc. which depend on there being a thriving and competitive inland marine sector. Providing long term moorings is often the mainstay of a private boatyard's business without which other services may not be economic. This is why it is so important that we ensure that our prices are neither too high nor too low compared with the rest of the market.

Over the years we have tried a number of different ways of allocating and pricing our moorings, None has met with universal approval, and it is unlikely that there will ever be a perfect solution. But it is also unlikely that historic practice and methods will meet the needs of today's boaters or deliver the efficiencies and transparency required of BW by its customers and government.

Previous systems that we have adopted have been criticised and historically have been a significant source of customer grievance. . Most complaints were that pricing decisions were flawed and, in some cases, allocation of vacancies not made properly. This is why we introduced on a trial basis the alternative approach of allocating vacancies by tender.

It is now time to evaluate this new approach against previous systems and other proposals.

We are delighted that you are taking part in this consultation. When responding, please consider carefully what you want from our allocation and pricing systems, and then evaluate the options against those criteria.

In this consultation document we have set out, in what we hope is a reasonably clear and accessible style, all the relevant background and facts to improve understanding of the challenge we face in respect of moorings pricing. Unfortunately it is not a simple subject. We have tried to provide an objective assessment of the different options. It is now time for the debate to move on from "it's not fair" to consider the subject in more depth and make a genuinely useful contribution to our final decisions.

Thank you for your help with this.

Robin Evans, May 2008.

SUMMARY

This consultation document contains a briefing on the management of BW's long term moorings, and describes options for change. It is being published just after the half-way point in a twelve month trial of allocating vacancies by tender.

Chapter 1 describes the consultation process.

Chapter 2 summarises our moorings policies. We hope this will help readers to understand the context in which we manage long term moorings and the factors we must take into account when making decisions.

Because boats generally need a home mooring to qualify for a BW licence, and because BW is both the navigation authority and the largest single operator of mooring sites, it is appropriate that moorings policies are subject to proper public scrutiny. Given that the network is fixed in scale while demand for boating rises steadily, scarcity creates particular tensions.

Chapter 3 explains the framework within which we must set the prices for our long term moorings. It draws on a comprehensive evaluation conducted for us by consultants, Oxera in 2004, and proposes two changes we could make to improve the transparency and accuracy of our annual pricing process. One of these would depend upon the continuation of a tendering system or its replacement by open auctions. This would draw on and analyse the aggregate data generated from either of these processes. The other would involve increasing central support to our local management teams for the annual re-pricing exercise.

Chapter 4 moves to the question of how vacancies arising at long term moorings are allocated. It gives a brief account of the operation of the tender trial to the end of April 2008, including our assessment of performance against the success measures we published in August 2007. We discuss the 'fairness' issue raised by many boaters since the beginning of the trial. Statistical detail is included in appendices.

Chapter 5 simply describes five possible methods for allocating vacancies. These are

1. Return to waiting list system
2. Adopting the mooring tenders system as per the trial
3. Modifying the tendering system
4. Open auction
5. Fixed price with lottery

Chapter 6 assesses these alternative methods against the criteria of transparency, customer acceptability, operating costs and whether it provides a good measure of market price. For each criterion we discuss how we think each method scores, drawing on objective data wherever this is available. We then impute 'marks out of ten' to each to give an overall ranking of the different methods.

As a result of our analysis, we conclude that the best way forward would be to convert the current tendering system to an open auction, making it easier for people to decide how much to offer, and generating more reliable information to assist us in re-pricing of moorings. It is for readers to consider the extent to which they agree or disagree with our judgements, and to set out their reasoning for any differences of view when responding to the consultation.

1. ABOUT THE CONSULTATION

- 1.1. The **purpose of this public consultation** is to seek views from customers and other stakeholders on certain aspects of British Waterways' directly managed long term moorings, in the light of a trial system for allocating mooring vacancies by tender.
- 1.2. This 12 month trial was launched on 26 October 2007 and we promised a formal public consultation beginning approximately half way through the trial period.
- 1.3. We commenced pre-consultation in March 2007 by publishing a plan for how we would consult. We developed this further in early April 2008, publishing an outline of the proposed consultation document. These documents were sent to national boating organisations and just over 100 individuals who had written to us about the trial. The feedback received has helped to shape this formal consultation document.
- 1.4. **The aim of the consultation is to:**
 - (a) **build stakeholder understanding of the factors that determine BW policy and procedures for the running of its directly managed moorings, and**
 - (b) **receive customer and stakeholder assessments of our analysis of alternative options for mooring allocation and pricing.**
- 1.5. Some factors are fixed: this consultation is not seeking views on government policy with respect to BW, and there is nothing BW can do to change UK competition law or any other relevant law. The consultation is not about 'how high or low should mooring prices be' but about the methods that BW might use to allocate vacancies and set prices given the statutory framework. The scope of the consultation therefore extends beyond a simple assessment of whether the trial of mooring tendering has been successful.
- 1.6. In addition to this consultation, we have commissioned market research amongst people who were on the waiting list for a BW mooring in May 2007, and amongst people who have registered to use the tender system. The results of this research are reported in this paper.
- 1.7. We are conducting this consultation, to the best of our ability, following the Cabinet Office Better Regulation Executive's Code of Practice on Consultation¹ published September 2005. Their six criteria for good consultation are reproduced below. BW invites comments on the extent to which respondents consider the criteria to have been met along with suggestions of ways in which future consultations might be improved
- 1.8. The deadline for submitting responses to this consultation is **20th August 2008**. Please use the response form provided below. If you would like to give us your feedback in person, see Appendix 6 for details of this summer's 'meet Robin Evans' opportunities around the waterway network.

Cabinet Office Better Regulation Executive, Code of Practice on Consultation, criteria for good consultation

1. *Consult widely throughout the process, allowing a minimum of 12 weeks for written consultation at least once during the development of the policy.*
2. *Be clear about what your proposals are, who may be affected, what questions are being asked and the timescale for responses.*
3. *Ensure that your consultation is clear, concise and widely accessible.*
4. *Give feedback regarding the responses received and how the consultation process influenced the policy.*
5. *Monitor your Department's effectiveness at consultation, including through the use of a designated Consultation Co-ordinator.*
6. *Ensure your consultation follows better regulation best practice, including carrying out a Regulatory Impact Assessment if appropriate*

¹ See <http://http://www.berr.gov.uk/bre/consultation%20guidance/page44457.html>



DIRECTLY MANAGED MOORINGS: PRICING AND VACANCY ALLOCATION PUBLIC CONSULTATION RESPONSE QUESTIONNAIRE

You may respond to the consultation in whichever way you wish. If it is easier for you, please use this form and append any further comments. To do this electronically simply download the form in word format from <http://www.britishwaterways.co.uk/mooringconsultation08>, add your further comments and email it to consultation@britishwaterways.co.uk

The closing date for responses is **20 August 2008**.

Paper copies should be posted to:

The Consultation Team, British Waterways, 64 Clarendon Road, Watford WD17 1DA, to arrive by **20 August 2008**.

If you have any questions about the consultation, please contact us:

E: consultationquestions@britishwaterways.co.uk **T:** 01923 201120 **F:** 01923 201300

Q1 Options for allocating mooring vacancies (please read chapters 5 and 6 first)

Using the information provided in the consultation document and its appendices, please use your judgement to score each of the listed options against the assessment criteria.

	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					
2. Tender trial					
3. Modified tendering					
4. Open auction					
5. Fixed price with lottery					

If your judgement differs greatly from that in the table in section 6.6 of the consultation document, please explain your reasoning.

Please continue on separate sheet
(please remember to add your name)

2. SETTING THE SCENE: BW'S POLICIES FOR MOORINGS

The supply of moorings

- 2.1. BW's long term moorings are predominantly moorings along the line of the canal, often on the towpath side. They account for approximately 15% of all long term moorings provided on the BW network. They do not include the moorings offered by BW's subsidiary company, BWML².
- 2.2. We also sell mooring permits to boaters occupying our water space along the line of the canal at so-called 'end of garden' sites. These account for about 7% of moorings. We set the price for these by reference to that of the nearest simple (usually towpath) mooring, with a 50% discount to reflect the fact that BW does not provide land access or facilities.
- 2.3. Other online moorings are provided by commercial operators under lease agreements. These account for just over half of all online moorings.
- 2.4. Amongst the feedback we've already had about the moorings tender trial, there have been frequent references to BW's responsibility for ensuring "adequate" supply of moorings at a "reasonable" price. They raise questions about moorings policy generally, i.e. not just about our own directly managed ones. So we felt it would be helpful to include a summary of relevant trends and issues relating to moorings as these provide important background to understanding our recent decisions.
- 2.5. BW has no statutory obligation to provide long term moorings, but since a home mooring is a legal requirement for the majority of boaters under the British Waterway Act 1995, we clearly have an interest in the long term moorings market. In line with government policy, BW believes that a vibrant and well functioning market for long term moorings is the best recipe for ensuring long term value and options for boat owners. Where markets work well, they attract investment to provide the supply to meet the level of customer demand.
- 2.6. Recent years have seen exceptionally strong growth in the number of boats on our waterways – a net increase of 5,800 (23%) since 2000, bringing the total to 31,000. But the supply of moorings has not kept pace with this demand, and this has caused both steep increases in the price of moorings and a lack of available moorings in many locations and among different operators.
- 2.7. With this realisation – and prompted by pressure from the British Marine Federation (BMF) – in 2005 BW considered how it could best stimulate the market to increase the supply of moorings. Two key conclusions were that we needed to improve our procedures for working with marina developers to remove unnecessary obstacles to construction of new mooring sites, and that we should take great care to ensure that our directly managed online moorings business (which comprises over 400 sites and some 4,600 customers) was not inadvertently distorting the overall market for moorings.
- 2.8. Our improved procedures for working with marina developers is proving very successful. Since the establishment of our New Marinas Unit in 2006, some 2,300 new berths have been opened and a further 1,000 are under construction.
- 2.9. We also realised that our past practice of simply increasing supply of online moorings on our own property, as a 'quick fix' for moorings shortage, was reducing amenity for all boaters and potentially undermining investor confidence. As part of our 2006 discussions with the BMF to ensure that our moorings policies were compliant with Fair Trading law, we gave a commitment to start to reduce online moorings by removing one on-line berth for every ten new ones created off-line by the private

² BWML operates approximately 8% of all moorings on the BW network

sector³. We currently implement this policy through a process of natural wastage – i.e. as some berths on our moorings are vacated in the vicinity of a new marina, we do not re-let them. During the year to 31 March 2008 we withdrew a total of 87 mooring berths as a result of this policy.

- 2.10. Some people have suggested that it would be much simpler if BW simply withdrew from the moorings market altogether and sold or leased all or most of its moorings to private operators. Although we have rejected this option as a wholesale strategy, we do encourage our local managers to consider offering lengths of moorings to the private market where this would be economic for BW. The main reasons why we would not outsource moorings management completely are first, that the resulting rental incomes would be lower than our current net earnings from managing them ourselves. Since all net receipts are re-invested in the waterways for public and boater benefit, this would not be in the interests of the waterways generally. Secondly, because the moorings concerned are generally along the line of the waterway, we are able to achieve some cost advantage from the use of our direct labour force in maintaining mooring sites.
- 2.11. How we allocate vacancies and set prices for moorings is of obvious direct concern to any boater interested in mooring along the line of the waterways on a BW managed site. The questions are also of concern to BW licence holders more widely, to other moorings operators and to potential investors.
- 2.12. Prior to the introduction of the tendering trial, we maintained local waiting lists for our mooring sites. Whenever a mooring became vacant, we offered vacancies to people on the list at the published price (currently being paid by existing moorers at the site). The existence of the waiting list was evidence of potential excess demand and, using the above reasoning, evidence that the published price was below the market price.

The motive for introducing the tendering trial for allocation of vacancies was generate information to help us estimate the market price (and levels of demand) to supplement our established annual assessment process.

Residential moorings

- 2.13. We recognise a substantial growth in recent years in demand for residential moorings. BW has statutory permitted development rights enabling it to provide leisure - but not residential - moorings without local authority planning permission. Residential moorings are considered as housing development, and the local authority will only grant planning permission if they consider that the site is suitable in the context of their local plan and policies. Although housing is not a statutory responsibility for BW, we are working increasingly closely with local authorities in efforts to increase the availability of residential moorings.

³ A policy briefing note is published at <http://www.britishwaterways.co.uk/OnlineMooringPol>

3. THE PRICING OF MOORINGS ON RENEWAL OF CONTRACT

- 3.1. As explained in the previous chapter, BW must ensure that the price it charges for its services are set at the market rate. If we set the price below the market rate, there will be more people trying to buy than there is supply available, and questions could be asked by the competition authorities. If we set it too high, we will not fill vacancies and people will tend to leave the mooring site as they find a better value alternative. Both of these outcomes are easy to observe after the event, but it is much more difficult to forecast.
- 3.2. The **definition of market price** is the one that equates demand with a fixed supply (e.g. of moorings) when there are multiple buyers and good information about the product itself and comparable alternatives. Prices below the market rate will result in unsatisfied demand (which may be manifest by waiting lists), and any price above it will result in un-sold supply (e.g. unfilled vacancies).
- 3.3. BW's annual re-pricing practice involves an evaluation by local managers of the market in each area in order to derive an estimate of the market price using data about prices and availability of other moorings in the locality. This process results in frequent complaints suggesting that boaters dislike the subjectivity of the assessment.
- 3.4. In 2004 BW commissioned an independent review its pricing system for long term moorings. It did this because concerns were being expressed by customers and stakeholders about the validity of the price setting method. On the one hand, customers were unhappy that abandonment of the former 'moorings matrix' and application of local assessments was tending to result in somewhat higher price increases than had been common previously. On the other hand, the British Marine Federation was concerned that BW might be exploiting a dominant position in the moorings market to the disadvantage of its members.
- 3.5. The 'moorings matrix' was replaced in 2002 with a set of guidelines that requires local managers to assess mooring demand and supply within the relevant geographic market for each site, and to use this to determine the appropriate price for the next year's mooring agreements. The guidelines prescribe the steps that local managers are required to follow in this price setting exercise. These are:
1. Define the local market within which each mooring site operates. This involves establishing the relevant geographic area within which moorings compete and identifying the sites offering comparable service.
 2. Research the prices charged for moorings by other operators catering for the same market
 3. Compare the characteristics and facilities of the various sites
 4. Identify changes over the past year within the local market (eg changes in supply of moorings)
 5. Analyse demand for the BW mooring site as indicated by occupancy levels and size of waiting list (if any)
 6. Draw on the above information to deduce the appropriate price for the BW mooring for the forthcoming year.

Essentially this mirrors the principles of property valuation used generally to set rents for property.

- 3.6. The 2004 independent review⁴ was conducted by Oxera and comprised a competition audit, an examination of the extent to which local managers were following the guidelines and recommendations

⁴ The report is published on the BW website at <http://www.britishwaterways.co.uk/accountability/fairtrading/index.html>.

for future pricing policy, and a review of alternative pricing methods. It thus provides a helpful briefing for this section of the current consultation. The relevant points are:

- 3.6.1 There are two broad approaches to pricing: cost-based and demand-based. Oxera concluded that cost-based approaches were not suitable for BW to use for moorings. This is because they are both complicated to calculate, and to a large extent arbitrary since they would be highly dependent on the assumptions made about allocation of costs between the operation of the mooring and the operation of the navigation.
- 3.6.2 The alternative demand-based approach, which they concluded as the only viable one for BW moorings, is termed 'scarcity' pricing also sometimes referred to as 'pricing to the market'. This involves setting prices so that the market clears (i.e. all moorings are filled). It is based on the concept that the service being sold is scarce and that the rationing system is price, not queuing.
- 3.6.3 They noted that our current pricing policy was a form of scarcity pricing. But from their case studies they found some systematic under-pricing relative to private operators' sites in similar locations. This was evidenced by long waiting lists for moorings and apparent divergence between BW and private operators' pricing.
- 3.6.4 They warned however that in some locations where BW is the dominant provider of moorings, BW must be careful not to constrain the supply of moorings, by BW or by third parties. We noted in para. 2.8 the progress now being made in increasing moorings supply.

3.7. "Moorings Matrix"

During the pre-consultation phase, we were asked to include consideration of reverting to this former 1990s system. It comprised a grid of prices determined by the intersection of a 'site facilities score' and a 'location score'. All mooring sites were assigned a 'score' representing the extent of facilities at the site and, in theory, they were also assigned a 'location score' – a measure from 1 – 10 purported to reflect the site's general attractiveness and strength of local demand. In practice, no appropriate objective guidelines could be agreed for location scoring, with the result that local managers would simply select the mooring fee directly from the grid – the method as implemented was thus a 'fudge'. Prices within the grid were increased each year broadly in line with general price inflation. For this method to operate properly, a means of determining the array of prices in the matrix from intelligence about the local market would still be needed.

- 3.8. The issue for consultation then is not the pricing policy nor even the current guidelines for pricing, but rather how BW could improve the judgements it makes to ensure that prices set are an accurate estimate of the local market rate. We think there are two ways in which we could do this. One would be to make use of the data emerging from tenders or auctions, and the other is to try and further improve the consistency and quality of mooring site valuations using existing methods.

3.9. Using data from tenders or auctions

Auctions or tenders reveal the demand for a specific vacancy, which is for a particular size of boat at a particular location at a particular point in time. If we were to look to tenders or auctions as the sole source of information for re-pricing all moorings at the site, we would need the results of more auctions at each site than are likely to occur within the reasonably small time period needed to provide a reliable guide to current market conditions. So we would not propose simply taking the result of one or two vacancy auctions at a site as an indication of the market price for all berths for the coming year.

The best estimate of the market price for a particular site would come from a periodic auction of *all* of the mooring berths, not just those becoming vacant. We have ruled this out as impractical. However, with tendering or auction systems, there is nothing to prevent existing customers from bidding for a vacancy at their existing site if they believed that the BW-set price is too high: the market would then reveal whether this belief was well founded. Active participation in the market in this way, providing vacancies were well advertised, would reveal valuable data for price setting.

For sites where we have a succession of tendered or auctioned vacancies, a recent, *consistent* run of prices either significantly above or below the guide price would be a valid justification for raising or lowering the guide price at the annual review.

Beyond this, the major value of auction or tender data would come from the light it could shed on boaters' demand for different types of mooring by combining the data across all tendered or auctioned vacancies. Econometric tools widely used in business could be used to show us – quantitatively - how boaters currently value moorings of different sizes and different characteristics (such as facilities, leisure v. residential, urban v. rural etc). Preliminary analysis of the data generated from the trial so far shows for example that longer berths are in much stronger demand than shorter ones, with people prepared to tender significantly higher prices for longer berths. The market thus appears to be signalling that the supply of longer berths is inadequate, so BW should consider rearranging boats on linear moorings to combine smaller spaces into larger ones to better match supply and demand. In the meantime the price per metre for shorter berths should perhaps be reduced compared to longer ones. Similar analysis could also steer our decision on price increments that should be applied for additional facilities at a site or how prices should vary between different regions.

3.10. Improving the consistency and quality of mooring site valuations using existing methods

The process described in para. 3.5 above involves research and analysis which may demand a greater level of technical expertise and resource than we have so far allocated to our local teams. In the course of our research for this consultation, we identified significant variation between local teams in the amount of time that they allocate to the exercise, so this must be a cause for some concern. We are therefore considering ways in which we might apply greater central support to the process to ensure that appropriate geographic markets are defined, relevant data are collected and analysed consistently, and the correct conclusions drawn.

We have seen great benefits from the establishment of the New Marinas Unit in improving the way in which we support marina developments, and this may suggest a model for mooring pricing. For fair trading reasons however, it would not be appropriate to assign the mooring pricing task to the same team.

3.11. Together, the approaches outlined in paras 3.9 and 3.10 should greatly improve the information that we use and the quality of the analysis we apply to set mooring prices. The transparency of the process would increase, and the resulting pricing decisions should contribute to improved functioning of the moorings market generally, with consequent benefits to boaters and the boating trade.

4. ALLOCATING VACANCIES - FEEDBACK ON THE TENDERING TRIAL

- 4.1. We launched the trial on 26 October 2007. Our original proposal had been to test an open auction system, but we modified the approach for two reasons. First, some of the leading boating user groups were opposed to open bidding, fearing it would influence people to increase their bids, and that non-internet users would be excluded. Second, we believed that a tender system would show us the full range of prices that different people in the market were prepared to pay, thus helping in price reviews. (Auctions risk excluding potential bidders from even participating if the current highest bid had exceeded their maximum.)
- 4.2. Consultation before launching the trial included informal discussions with representatives of major boating user groups and a tabled paper and discussion at the national meeting of boating and special interest groups in April 2007. From these, we realised that the move would not be popular with several of these particular groups, but concluded that formal consultation in advance of people seeing at first hand how a tender system would work would be unlikely to tell us anything to move our understanding forward. We published a 14 page stakeholder briefing document⁵ during the summer of 2007 that included our detailed reasons for conducting the trial, and set out the key features of how the system was being designed to work.
- 4.3. The trial appears to have caused sustained dissent in certain quarters. We acknowledge that it has not been welcomed by the main boating user groups and has caused much negative publicity. On the other hand, some 2,000 people have registered to use the system, the majority, according to our research, because they seek a mooring.

We have noted feedback in various ways:

1. Letters of complaint received by post or email since the initial announcement in April 2007. These are summarised in Appendix 1.
 2. Letters and comments in national waterways magazines and online discussion groups
 3. Feedback forms completed on the mooring vacancies website. These are summarised in Appendix 2.
 4. An independent, postal survey of people registered to use the tender system (March 2007). The results are summarised in Appendix 3a
 5. An independent telephone interview survey in February 2008 of 470 people drawn from waiting lists . The results are summarised in Appendix 3b.
 6. The actual results as reflected in the statistics generated from site registrations, usage of the system, vacancy advertisements, and completed tenders. These are presented in Appendix 4.
- 4.4. **Fairness and the waiting lists**

"Fair – adj. just, equitable; in accordance with the rules"

The predominant theme from feedback so far has been that the tendering system favours better-off boat owners and is therefore unfair to the majority. To the extent that any market pricing system is unfair – because it gives advantage to people with ability to pay – a move from waiting lists to tenders or auctions could be seen as unfair. However, nobody explained why the tiny sector of canal moorings

⁵ http://http://www.britishwaterways.co.uk/accountability/moorings_tendering/index.html

should be singled out for exemption from market based pricing, which is considered normal in this country except for some essential services such as healthcare. The criticism tended to ignore the advantages to customers that a properly functioning market place can bring, such as increased choice and reduction in upward price pressure resulting from increased supply.

The pre-tender system favoured those who could wait longer than others (sometimes many months and even years) and thus disadvantaged people wanting a mooring quickly, so in this respect, it was unfair. The tendering system does away with waiting but it tends to favour those with a higher willingness/ability to pay. However, some 20% of moorings have so far been let at below the current price so for the people securing these vacancies, tendering proved to be the fairer system – they were less disadvantaged in terms of both time and money than under waiting lists.

The introduction of the tendering trial was clearly a great disappointment to those people who had been waiting patiently on one or more of our many waiting lists because they wanted or expected to get a mooring at a below-market price. But many of them would have had no option but to continue waiting. The change to the new system makes waiting lists redundant and gives everyone the opportunity to move to the front of the queue.

Whilst an understandable desire on the part of the boater to have low mooring prices, even if BW did have a remit to provide affordable moorings for anyone who wanted one, it would not be in the long run interest of boaters. It would seriously reduce the commercial attractiveness of the new investment in moorings which is so essential to the long term sustainability of boating on the BW network. Neither BW nor anyone else could in practice create the number of moorings necessary to satisfy the demand that would result from prices being kept below the market rate.

4.5. **Measuring success of the trial**

In terms of the success criteria we published in the stakeholder briefing in summer 2007, our assessment is as follows:

a) *Ease of use*

The majority of users appear to have no difficulties. The user survey (appendix 3a) showed that 78% found the system easy or very easy to use and only 3% found it difficult. Over 2,000 people have registered to use the system, of whom just over 100 have chosen to do this using the postal option instead of by internet. 2,000 people equate to approximately 7% of private boat owners and, we would guess, a considerably larger percentage of those looking for a mooring.

b) *Volume of tenders submitted*

The volume of tenders for many vacancies has fallen short of our expectations. We believe the reasons for this include:

- The approach is new and relatively demanding for certain customers (although once they have overcome their hesitation, they appear to find it relatively simple).
- People find it difficult to decide how much to offer
- The apparent expectation that all prices will rise as a result of tendering, and a consequent mis-perception by many that it is not worth making an offer below the current guide price.
- People are waiting for the end of the trial and the consultation to see what method will be adopted
- Negative press that may be deterring many people in the target markets from taking part (even though by doing so, some would have secured the mooring at their preferred site without having to pay a higher price).

- Shortage of supply of residential moorings means that almost all vacancies advertised so far have been for leisure use only.
- We did not quantify our expectations in advance in relation to market size, instead assuming that our waiting list data would be an adequate guide to demand. The experience in the trial has highlighted other factors that we did not take into account, such as size of berth (obvious, but not captured within our previous management system).

c) *Whether it provides an efficient means of estimating the market price*

The system has provided indisputable and transparent data on what individuals are prepared to pay for a three-year mooring agreement for individual tendered vacancies. In spite of relatively low numbers of tenders, and subject to technical concerns about the results of tenders as distinct from auctions⁶, we believe that the trial has demonstrated the practical feasibility of delivering objective information about the strength of demand and the market price for a single vacancy – both valuable pieces of information for the annual re-pricing of the mooring site.

⁶ See Waterways World, 'the Broader View', January 2008, page 51 (this is published on our website with other background documents).

5. OPTIONS FOR ALLOCATING VACANCIES AT BW MOORING SITES

In this section, we simply describe the key features of five possible methods for allocating vacancies. We canvassed views from boaters during the pre-consultation phases, and this list of five was influenced by this process.

5.1. WAITING LISTS

Until 2006, waiting list systems were designed and managed locally without set national procedures. As a result they followed different formats. In 2006 all waterways adopted a standard procedure that provided consistent terms relating to registration, offers and refusals. Formal complaints from customers about moorings waiting list experiences dropped from 14 (1.7% of all 'level 1' complaints) in 2004 to 5 in 2006 (0.6%).

Key features of the 2006 waiting list system are summarised as:

Waiting lists - customer aspects

- Simple registration form – maximum of three sites per customer per waterway unit
- Customers could find out their place in the queue (although not necessarily a guide to how quickly they'd get a mooring as this depends on the length of berth that becomes available)
- Customers were offered up to three vacancies at a site – if all were refused, they were removed from the list for that site
- We allowed up to two weeks for a customer to respond to an offer before it was offered to the next person on the list
- Names were removed from the list if they failed to reply to the annual 'refresh'
- Some customers remained on lists for many years

BW aspects

- A list was maintained for each individual mooring site and refreshed annually – typically between a third and half of names would drop out.
- Staff simply worked down the list until they found someone to accept
- Waiting lists could be closed if they became too long
- With the exception of some sites in London, local managers saw no reason to promote or advertise mooring sites.

In May 2007 we combined the local databases into a national list of some 2,700 people. 8% of sites had no waiting list.

5.2. TENDERING

Key features of the tendering system are as follows⁷.

Tendering - customer aspects

- Detailed information and pictures of all vacancies are published
- Full range of search options across the country
- Automatic notification of vacancies arising which meet the customer's preferences
- 3 year, fixed price contract
- Open to all, not just people on previous waiting lists
- Delivery via the internet
- Postal option for non-internet users
- Requires decision on how much to tender
- Just one tender per person is permitted and information about other tenders placed is only published after the closing date, so cannot influence an individual's decision on what to offer
- 5% of price offered is charged if highest tenderer subsequently declines the offer of the mooring
- Not all people on the site pay the same mooring fee

BW aspects

- Staff need to research and prepare more detail for publishing the vacancy; input needed from several staff (subsequent vacancies copy previous information)
- Reserve price is set that is our best estimate of the average cost of providing the mooring. This sets the floor below which it would not be economic for us to let the berth
- Guide price is advertised as the rate currently being paid for berths at the site by existing customers
- Central coordination
- Many automated processes
- Generates market data not previously captured which is clearly displayed for all to see
- Generic classified advertisements in the waterways press and on site advertising boards.

5.3. MODIFIED TENDERING

Two modifications may be appropriate should a decision be reached to continue with a tendering system:

- a) Subject to customer research, we might consider reducing the period over which the vacancy is advertised before the closing date from four weeks to say, two. Providing the research did not suggest that this would reduce acceptability or volume of tenders, it would be a sensible way of reducing the void period between customers.
- b) Under the system currently being trialled, the person submitting the highest tender pays the amount they offered, regardless the gap between it and the second highest offer. In some cases this gap has been substantial, which can be a concern. Under this modified approach, the contract price would be a fixed absolute or percentage margin above the second highest offer.

Otherwise key features would remain largely as existing, subject to any other modifications adopted as a result of the consultation process. The postal option is compatible with this option.

⁷ For further detail go to <http://www.bwmooringvacancies.co.uk> . There is an extended Q&A section.

5.4. OPEN AUCTION

This option would recognise two important shortcomings of the tendering system – that people find it difficult to decide how much to offer, and that the result is not the best possible estimate of the market price. The bidding system would be converted to an open auction where an individual would be able to start with a low offer and increase it with a higher one if others offered more. People would thus be able to see what they need to offer to secure the mooring. In other respects, it would be much the same as the tendering process, with vacancies advertised online with searchable database etc.

We could go further and adopt a system (called a Vickrey auction) which allows for 'auto-bids' (similar to E-Bay). This allows people to elect for the system to bid on their behalf in increments above the leading bid price, subject to a maximum sum that they specify. This would be optional, so those preferring just to make single bids could do so. Unlike the tendering system, they could make successive bids for the same vacancy.

Participation by post would be offered using the 'auto-bid' facility. Postal participants would simply specify their maximum price.

5.5. FIXED PRICE WITH LOTTERY

This proposal is based on several suggestions from respondents to the outline and interim papers⁸.

Fixed price with lottery - customer aspects

- A fixed asking price that would be set by BW as its best estimate of the annual value of a three year contract for mooring at the site. This estimate would be informed by the level of interest expressed for any other recent vacancies at the same or nearby similar sites.
- The vacancy would be advertised in the same way as for tendering or auction, with the same search functions and registration system etc.
- A set date and time (e.g. 28 or 14 days) by which expressions of willingness to contract should be received. If there were more than one, the winner would be drawn using a computer-based random number lottery system .

BW aspects

- Requires valuation of the mooring before advertising
- New process required for automated random selection of winner
- Otherwise the operation would be similar to tendering or auction

⁸ It replaces the 'Estate Agency' and 'Lottery' approaches (interim paper 4.1.5 and 4.1.6.) as it contains the key elements of both of them.

6. EVALUATION OF OPTIONS

Evaluation criteria

We believe the appropriate criteria for comparing these five different methods are as follows:

	Scoring system
1) How transparent it is	1 = not transparent 10 = transparent
2) How acceptable it is for customers	1 = poor, 10 = good
3) Cost of voids (revenue lost when berths vacant)	Not scored – see 6.6
4) Operating costs (administration, advertising, other)	1= high cost; 10= low cost
5) How good a measure of market price it provides	1 = not good; 10 = good

The responses to the outline paper included two requests to expand the list to include ‘fairness’, ‘encouragement of newcomers’ and ‘social inclusiveness’. For the purposes of this consultation, all three of these imply an objective of ‘keeping mooring prices down’. It is however very hard to see how we could devise mooring policies to deliver guaranteed low mooring prices while both achieving the long term growth in private sector investment that a strong boating market needs, remaining within our remit from government and compliant with fair trading rules. We believe that the best chance of achieving affordable moorings comes from making the market more dynamic so that private investors can see and respond to clear signals of demand for different types of mooring. Given current demand, mooring prices in the market will fall only if the number of moorings increases.

Transparency

In discussing transparency, we are referring to the extent to which operation of the system depends on un-audited local decision making. Where an automated system is involved, this is minimised.

Customer acceptability

We seek consultees’ views particularly on this component to the score. The ratings we suggest here are based on the feedback we have received so far, combined with our judgement about the interests of the wider constituency of boaters seeking to enter the market, for whom availability of moorings is paramount.

Costs

To provide a basis for comparison across different options for vacancy allocation, we express costs as the average across the expected 350 vacancies occurring over the year.

For internet based options we include provision to accommodate non-internet users. Postal users of the trial tendering system accounted for 7% of registered users, 3% of tenders

placed, and 3.5% of contracts awarded to the end of April '08.

Voids

During the course of the trial so far, we have uncovered a previously overlooked risk of revenue loss from poor information on the precise timing of a mooring becoming vacant. (The average monthly ex vat income from a BW mooring permit in 2007/8 was £70.) Our mooring permit terms require four weeks termination of notice, but this is only enforceable when someone vacates the site before the expiry of the permit. Many boaters simply move off the mooring upon expiry without notifying us. Our newly tightened enforcement procedures should reduce this void period as we will no longer tolerate late renewal of mooring permits.

In assessing the void periods likely to occur under different options, we start from the point where the local moorings officer becomes aware of the vacancy. However, because they are not required to formally log this, our comparisons are necessarily approximate and we have not therefore attempted to score them.

6.1. WAITING LISTS – EVALUATION

(1) How transparent?

We introduced standard procedures in 2006 to ensure consistency in the way that waiting lists were managed. Each waterway unit kept a separate database of mooring sites and names, so in principle audit checks were possible to ensure compliance with procedures. However, the databases did not have a reporting system enabling an auditor to easily establish whether the allocation of a particular berth to a particular waiting list name had been made correctly. Local staff were sometimes subject to pressure from people claiming special personal circumstances to try and jump the queue.

(2) Customer acceptability

Generally people who logged their names onto a waiting list seemed content although there was some perception that on occasions the wrong decision was taken locally in the allocation of a particular berth with the rules not being properly followed. In 2006, the last calendar year before the tenders trial was announced, we received 6 formal complaints about the operation of waiting lists.

The system was much less attractive to new market entrants who would find it very difficult to locate a vacant mooring as waiting times could be several years. Waiting lists do not score well in terms of ensuring that moorings are readily available to customers when they need them.

(3) Potential lost income from voids

Our systems and data do not allow us to measure historic void rates on moorings, but the average view of our local managers is that about one in five vacancies would be re-let immediately, about half took up to one month, and the remainder more than this – sometime up to 18 months. In line with our published terms, we allowed up to two weeks before

moving to the next person on the list. Our local staff report that the number of refusals from waiting lists varied between one and twelve.

When no one wanted the berth or there was no waiting list, it would generally remain vacant until such time that a new enquiry was received. This could be months or sometimes years

(4) Administration costs

These comprise:

- Responding to moorings enquiries
- Maintaining and refreshing waiting list records
- Contacting people on waiting lists when vacancies arise
- Printing, postage and stationery for waiting list mailouts

We estimate that these average around £25 per vacancy, excluding office overheads.

(5) Advertising costs

Advertising costs were minimal – a minority of unfilled vacancies at the most valuable sites were commercially advertised. Generally waiting lists dampened interest, and there was little point in advertising.

(6) Measure of market price

We relied quite heavily on the length of waiting lists in our annual re-pricing exercise. Evidence from the recent telephone survey of people on waiting lists and consultation with our own local staff suggests that the lists should have been refreshed more often than once year to provide a guide to demand. During their annual re-refresh, typically 30% - 50% on the list would drop out.

Because we did not advertise our moorings or the waiting list system, we were not measuring full potential demand.

6.2. TENDERS - EVALUATION

(1) How transparent?

The submission of tenders, tender end process and identification of the person making the highest tender is fully automated. All tender information is displayed at the end of the tender period. Moorings staff have no access to data during the tender period.

From the point at which a vacancy is identified by the local office and advertised, there is an automated audit trail of the complete process. Only our webmaster is able to access tender information, and only if authorised by the director for a compelling reason. There is a clearly documented process for completing contracts after the tender has ended.

(2) Customer acceptability

Spontaneous feedback has been dominated by negative comments from people on waiting lists, the waterways press and "towpath telegraph". As a result of this reporting, the fear of price increases has clearly put some people off taking part in the tendering trial, despite the fact that some 20% of resulting contracts have been for below the current price. Nevertheless, over 500 people have placed tenders and more than 100 contracts awarded using the system. The independent survey of registered users showed only 3% of people found it difficult to use, with 43% finding it very easy. And in a typical week, there are some 2,500 views of the mooring vacancy details on the site. BW's mooring vacancies are now openly available in the market and not restricted to small groups of people prepared to wait.

The person submitting the successful tender obtains a mooring almost immediately. However, a person with an urgent need, who would have been willing to offer more than the winning tender, has no opportunity to do so and so must wait for another vacancy to arise

(3) Potential lost income from voids

The 28 day tender period is a potential fixed void costing an average of £70 per vacancy if we had no notice of the mooring becoming vacant. In addition, during the start up period there is the time required to prepare the vacancy details for advertisement - drafting descriptions, taking photographs, preparing maps - whenever a site is advertised for the first time. By the end of the trial, we would expect the average time between initial identification of the vacancy and completion of the contract to be less than 2 months.

Mitigating this loss is the reduction in future void periods resulting from people leaving the site without notifying us, because mooring contracts are for three years with a two month notice period.

(4) Administration costs

These comprise

- Responding to moorings enquiries
- Preparation of vacancy details
- Central administration of website
- Extra administration for postal users

Our local offices reported an initial increase in mooring enquiries following the launch of the trial, particularly from the new interest generated and from disappointed people on the waiting lists. The overall cost of enquiry handling, expressed as a cost per vacancy, probably rose during the first few months of the trial from around £4 to £8. but is now beginning to drop back. The existence of the mooring vacancies website with its search functionality means that information on moorings is more accessible, and with greater take up by customers, could result in reduced call handling costs.

Preparation of vacancy details involved a steep learning curve, and we estimate that the time cost locally of researching and writing the information sheets is of the order of £120 per site. This is a cost associated with publishing the first vacancy at the site.

For subsequent vacancies the cost is minimal - around £4 each.

Central administration of the website, excluding setup costs averages around £40 per vacancy. Again this reflects the learning curve and we have seen it start to reduce.

Additional costs associated with servicing users who have registered for the postal (rather than online) service are estimated at a little over £30 per vacancy (this is net cost after taking account of the £10 per year subscription paid by the users for this service).

(5) Advertising costs

During the year of the trial expenditure on advertising the moorings tendering system in the waterways press and through local signs equates to around £19 per vacancy.

(6) Other costs

The project costs for setting up the system and website were just over £70,000 which would equate to £200 per vacancy if averaged over 12 months, or £40 if depreciated over five years. To this, we must add the development cost of the mooring site descriptions as described in (4) above ($£120/5 = £24$)

(7) Measure of market price

The data obtained from the tenders provides indisputable evidence of people's willingness to pay for a mooring and is therefore an objective guide to the strength of the market for the particular berth size at the time. It is possible that the lower than expected volume of data may be related to the extent of organised opposition to the trial and for the reasons outlined in chapter 4.

6.3. MODIFIED TENDERING - EVALUATION

(1) How transparent?

This would be the same as for tendering system

(2) Customer acceptability

We believe customer acceptability would improve as the risks of paying significantly more than the second highest tender would be eliminated.

(3) Potential lost income from voids

This would be reduced if we cut the time period for each tender from four weeks to two.

(4) Administration costs

Same as tendering system

(5) Advertising costs

Same as tendering system

(6) Other costs

Same as tendering system. Software changes to compute the contract price from the second highest instead of highest tender would be simple.

(7) Measure of market price

Same as tendering system

6.4. OPEN AUCTION - EVALUATION

- | | |
|--|---|
| <p>(1) How transparent?</p> <p>Transparency would be increased with an open auction. People would have constantly updated information on what other offers had been made.</p> | <p>(3) Potential lost income from voids</p> <p>Same as tendering system</p> |
| <p>(2) Customer acceptability</p> <p>We believe this would significantly improve customer acceptability by reducing the uncertainty over what price to offer, but acknowledge that it would still not satisfy those with firm opposition to the principle. A person who is outbid has the opportunity to revise their offer upwards and the person making the highest bid obtains a mooring almost immediately. We believe these would be significant advantages for many people.</p> | <p>(4) Administration costs</p> <p>Same as modified tendering system</p> <p>(5) Advertising costs</p> <p>Same as tendering system</p> <p>(6) Other costs</p> <p>Same as tendering system. The extent of modifications required to the current software and systems would be modest – probably adding no more than £2 - £3 per vacancy over the next five years.</p> <p>(7) Measure of market price</p> <p>This would score the highest since it is closest to the definition of market price.</p> |

6.5. FIXED PRICE WITH LOTTERY - EVALUATION

- | | |
|--|--|
| <p>(1) How transparent?</p> <p>Similar to the tendering system as we would use the same basic software for advertising and recording offers. However, the price at which the vacancy was advertised would be subject to local judgement. On this basis then, whilst most of the process would be transparent, the crucial decision of the price would be no more so than in our current annual re-pricing exercise.</p> | <p>current software and systems would be modest – probably adding no more than £2 - £3 per vacancy over the next five years.</p> |
| <p>(2) Potential lost income from voids</p> <p>We would expect this to be slightly higher than for tenders since wherever BW pitched the price too high, the vacancy would need to be re-advertised.</p> | <p>(6) Customer acceptability</p> <p>Many of the objections voiced about tendering were about the challenge of proposing a price. Since this option removes this responsibility from the customer it may be more acceptable. It would also be fairer for the less well-off. On the other hand, availability would be poor. Because there is no guarantee that any particular boater will ever get a mooring under this approach, it might even represent the least acceptable option.</p> |
| <p>(3) Administration costs</p> <p>Slightly higher than the tendering system since the pricing decision would need to be re-visited each time a vacancy arose.</p> | <p>(7) Measure of market price</p> <p>It would be of only marginal value for pricing since it reveals nothing about individuals' willingness to pay at different prices, only, after the event, whether we had under- or over-stated the price. This is a significant drawback as it would depend on continuation of the current price setting method, providing scant additional useful information to improve the estimate.</p> |
| <p>(4) Advertising costs</p> <p>Same as tendering system</p> | |
| <p>(5) Other costs</p> <p>Similar to current tendering system. The extent of modifications required to the</p> | |

6.6. SCORING THE OPTIONS

Using the scoring system referred to above, we attempt here to mark each option as objectively as we can to highlight the pros and cons of each. The scores on operating costs are based on the figures presented, but other others can only be a judgement.

We have not attempted to score the 'costs of void' factor since, providing the right management and administrative processes are in place and followed, we see no reason why one method should systematically out-perform any other, once the learning curve had been successfully negotiated.

Neither have we taken account of the net effect of changes in mooring income resulting from options 2-4. In the six months to 30/8/08, under option 2 we saw an average uplift in mooring fee of £14.70 per metre, netting the waterways an additional £28,700 of income this year (£214 per vacancy). The reason for not offsetting this income against the higher administration costs is that it is not an inherent feature of the option that resulting prices will always be higher on average. Depending on market conditions, we could in future see moorings prices fall more quickly under options 2-4 than under option 1 or 5.

We have also not factored in the savings in administration costs resulting from the reduction in collecting and processing annual renewals (tendered contracts run for three years). We have assumed that this will be offset by the fact that three year contracts are at a fixed price.

To keep things as simple as possible, we have not proposed weighting the criteria for relative importance.

BW's suggested rating of the five different methods for allocating vacancies.

	Transparency 10 = transparent	Customer acceptance 10 = good	Operating costs 10 = low cost	Measure of market price 10 = good	Total score
1. Waiting lists	2	7	9	1	19
2. Tender trial	9	4	3	8	24
3 Modified tendering	9	6	2	8	25
4. Open auction	10	6	2	10	28
5. Fixed price with lottery	6	8	2	3	19

To keep things as simple as possible at this stage, we have applied equal weight to each criterion in calculating the total score. However, because of the wider value of a well functioning market and the government requirement for market pricing, we are inclined to assign highest importance to the *measure of market price* criterion. The methods that leave the price decision to the market score best in this respect.

The internet based options clearly score well on the transparency measure, because many of the processes are automated. The jury is out on customer acceptance, and the old system clearly scored best in terms of operating costs.

Overall, at this stage, our recommendation would be to convert the tendering system to an open auction process.

7. CONCLUSION

During the course of designing and implementing the mooring tenders trial, several opportunities for improving the management of our moorings have been illuminated. By introducing clear and measurable standards for aspects such as describing moorings, identifying vacancies and completing contracts, we are achieving improvements to customer service and our own operating efficiency.

Some of the feedback to the tendering system also gives us encouragement to consider whether the function of the website we have created could be extended to include details of vacancies on offer at private boatyards and marinas, either available for auction or at a fixed price. This would enhance market efficiency by improving information available to potential customers.

We have tried to set out and evaluate the various options for allocating vacancies at our mooring sites using objective criteria. We have explained why the choice of vacancy allocation system has a bearing on our annual re-pricing exercise, which is why we favour an approach that puts the pricing of vacancy to the independent test of the market. For the annual re-pricing of existing customer agreements, we believe we need to improve the quality of information on which the valuations are based. We may also consider whether local market assessments could be completed more efficiently and to a higher standard with greater central support.

We explained in chapters 2 and 3 the reasons why we place great importance on correct market pricing of moorings. As the largest single provider of moorings, BW has a responsibility to ensure that its pricing decisions do not prejudice the operation of the moorings market. We believe that a vibrant and well functioning market for long term moorings is the best recipe for ensuring long term value and options for boat owners. Where markets work well, they attract investment to stimulate supply and customer choice.

APPENDIX 1

Spontaneous feedback since the announcement of the tenders trial

To 30 April 2008 we had received emails or letters from 129 individuals objecting to the mooring tender trial. Of these, 94 were received before the site went live at the end of October. The great majority of objections were that people felt that it would result in moorings becoming more expensive and therefore the system was unfair to people on lower incomes, indicating a belief that BW should need in some way to subsidise these. The table below groups these comments into categories and shows the frequency with which each category occurred within the responses. We also received a petition from the Inland Waterways Association containing the names of 2480 people, but with no indication of their status as boat owner or BW mooring customer.

Comments from all spontaneous letters & emails from individuals between announcement of the trial, May 07 to end April 08

	No. of comments	% of comments	% of people
Total no. people commenting = 129			
It just favours the rich	62	24.6%	48.1%
It's unfair	58	23.0%	45.0%
It will drive low income people away from the waterways	32	12.7%	24.8%
I was on a waiting list and find this unfair	24	9.5%	18.6%
It's just BW trying to raise more cash	13	5.2%	10.1%
I am generally happy with outline paper	6	2.4%	4.7%
You should have consulted before the trial	5	2.0%	3.9%
It will just create more continuous cruisers	5	2.0%	3.9%
I welcome/thank BW for the opportunity to be involved & to comment on options	5	2.0%	3.9%
If the trial is abandoned, those moorings let by tender should be vacated	4	1.6%	3.1%
I would like period of consultation extended due to it being during boating season	4	1.6%	3.1%
It's threatening homes & livelihoods	3	1.2%	2.3%
I don't believe it's legal	3	1.2%	2.3%
It disadvantages non-computer users	3	1.2%	2.3%
Winning tenders should include prompt payment discount	2	0.8%	1.6%
I would like to see additional moorings	2	0.8%	1.6%
I was happy with waiting list	2	0.8%	1.6%
I believe open bidding should be tested	2	0.8%	1.6%
"Tongue in cheek"	1	0.4%	0.8%
BW is disregarding the needs of disabled boaters	1	0.4%	0.8%
I object to giving financial details before entering agreement	1	0.4%	0.8%
A neighbour should not pay more for mooring unless boat is bigger	1	0.4%	0.8%
I believe opt. 4c (vacancies advertised at existing price with allocation to 1st completed app. Rcvd) grossly unfair	1	0.4%	0.8%
Some options in paper are misleading as are not available/possible	1	0.4%	0.8%
I would like official end of trial date published	1	0.4%	0.8%
The trial will not alter pricing of EofG moorings	1	0.4%	0.8%
The feedback questionnaire should be added to consultation paper to encourage response	1	0.4%	0.8%
I feel the reserve price distorts results	1	0.4%	0.8%
The mooring list should be reinstated for residential moorings	1	0.4%	0.8%
More info on whole moorings policy should be provided in consultation paper	1	0.4%	0.8%
Consultation should include individual views following consult meetings	1	0.4%	0.8%
All tendered sites should be published with asking price	1	0.4%	0.8%

Total no. people commenting = 129	No. of comments	% of comments	% of people
I think the interim paper is an attempt to justify the poor results of the trial	1	0.4%	0.8%
Where a mooring is not taken following a tender, the price should be reduced	1	0.4%	0.8%
A new buyer should be able to retain a mooring for the remaining contract of the previous owner	1	0.4%	0.8%

The print and online waterways media have all taken a critical stance, also generally focussing on the theme that it would push moorings prices up and exclude the less wealthy from boating. The only exception is Waterways World's "The Broader View" column, which although also critical of tenders, accepts the value of a more rigorous market-based approach to the pricing of BW's moorings and urges BW to switch to open auction bidding.

APPENDIX 2

Feedback forms from <http://www.waterscape.com/bwmooringvacancies>

Summary of 213 responses received to 30 April 2008 :

How easy in general did you find it to use this website?

60% easy or very easy, 25% average, 15% difficult or very difficult

Did you find all the information you needed on the site?

60% yes, 40% no

Has your visit to the site helped you in your search for a mooring?

36% helpful or very helpful, 54% not helpful, 10% not looking for a mooring

When you entered the site, what type of mooring were you looking for?

15% offline, 46% online, 29% either

What improvements would you like to see to the site?

Ability to revise my tender for a vacancy after submitting it

36%

An online auction (where the leading price and all other bids are displayed)

46% yes

Text messaging to tell me when a vacancy arises that matches my preferences

12%

APPENDIX 3

The picture provided by spontaneous comments and the website feedback form is valuable, but as it comes from a self-selecting group it is not necessarily reflective of all boaters looking for a BW mooring. We therefore commissioned two short surveys from Andrew Irving Associates, an independent market research agency. One was a postal self-completion questionnaire of people who had registered to use the tendering system, and the other involved telephone interviews with people who had been on a waiting list for a mooring. In these appendices we report the headline results of both surveys. A full copy of the waiting list survey report is downloadable from <http://www.britishwaterways.co.uk/mooringconsultation08>. We did not commission a written report on the postal survey but the a copy of the questionnaire annotated with headline responses is downloadable from the same location.

APPENDIX 3A

Independent market research : postal survey of registered users

Andrew Irving Associates designed the questionnaire to our brief and mailed it to a total of 1137 people, made up of:

- Everyone who had secured a mooring through the system
- All postal users
- A random sample of the remainder of registered users.

The survey form was slightly different for postal users since it did not include questions relating to the functioning of the website, asking instead about their experience with the paper materials distributed by post.

Response rates were as follows:

	mailed	returned	response %
total	1137	337	30%
Postal	133	48	36%
Online	1004	289	29%

Copies of each questionnaire with headline percentages inserted are downloadable from <http://www.britishwaterways.co.uk/mooringconsultation08>.

The overall picture showed:

Online users	Postal users (nb only 48 respondents)
<ul style="list-style-type: none"> • High frequency of use – two thirds visited site more than 10 times • 34% had been on a waiting list • 33% had been looking for a mooring for more than a year. • 74% would consider moorings offered by private operators • 28% had contacted customer service for help, of whom 70% found service good • 19% had not submitted a tender because they “just don’t like the system” • 28% are not yet boat owners • 97% found the website of average or better ease of use • 66% would like to be able to see what other people had tendered • Two thirds would like to be able to see moorings offered by private operators 	<ul style="list-style-type: none"> • 88% had received copies of vacancies matching their registered requirements • 69% were on a waiting list • 62% had been looking for a mooring for more than a year • 54% would consider moorings offered by private operators • 44% had contacted customer service for help, of whom 52% found service good • 40% had not submitted a tender because they “just don’t like the system” • 35% not yet boat owners

APPENDIX 3B

Telephone survey of people on waiting lists

In May 2007 we had approximately 2,700 names on our combined waiting lists for BW mooring sites, but by March 08 we could identify less than 500 of these amongst names registered on the mooring vacancies website. We had also identified several vacancies for moorings at sites with relatively large waiting lists but which had received few or no tenders.

We know that this simply confirms that people on waiting lists do not like the trial, but we felt it important to understand their specific objections to using the system, how well informed they were about how it works and whether indeed they are still in the market for a mooring.

We therefore surveyed a random sample of people who were on waiting lists for the 18 sites where we had advertised vacancies which received the smallest number of tenders, or none at all. The research was commissioned from Andrew Irving Associates who were responsible for making all the contacts, interviewing and reporting on the results. They achieved 252 interviews. A copy of the research agency's report is downloadable from <http://www.britishwaterways.co.uk/mooringconsultation08>, but we summarise the key findings below.

- 45% were no longer interested in a mooring at the site for which they had been waiting, the majority because they had found a mooring elsewhere
- 80% are internet users with 68% using at least weekly
- 97% were aware of the mooring tenders trial, but 15% did not recall our May 07 mailshot about it
- 68% appeared to understand the key features of the tendering system, but 19% did not realise that bids less than the guide price were acceptable and could succeed.
- The same number did not realise that the contract was for three years at a fixed price
- There is wide misunderstanding of the difference between the reserve price and guide price
- Nearly half of respondents had visited the mooring vacancies website. 31% were aware of it but had not visited.
- 60% had not registered. Of those who had, three quarters had done so online and a quarter chose the postal option.
- Of those who were aware of the system but had not registered, the three main reasons were that they don't agree with the principle (51%) or that they had now got a mooring elsewhere (26%) or did not yet need a mooring (6%)
- Of those who had registered, only 6% had placed a tender for a vacancy at the site for which they had been waiting
- The main reasons why others had not taken the opportunity were:
 - 25% were not aware of the vacancy
 - The vacancy was not long enough for the boat (22%)
 - 14% were hoping for a mooring at a different site
 - 11% had got a mooring elsewhere
 - 8% object to the principle

APPENDIX 4

Outcomes from the mooring tenders trial to 30 April 2008

Headline statistics:

USERS

	To 30 Apr
Total people registered as users	2,342
Average visits per week	2,840
Average page views per visit	7.25
Average views of vacancy details (per visit)	1.34
Average time spent on site	5.1 mins
% registered users who have placed a tender	16%

VACANCIES

Total vacancies offered for tender	196
Total sites where vacancies offered	94
% BW sites where vacancies offered	24%
Average no. of views of vacancy details per visit	1.34

TENDERS

Total tenders placed	555
Average tenders per vacancy	2.8

COMPLETED TENDERS

Tenders closed to 30 April	168
Contracts completed to 30 April 08 ⁹	113
No. of people defaulting after submitting highest tender	8
% tenders attracting no tenders	15%
% attracting tenders only below reserve price	4%
% of successful tenders completed within following price ranges:	
Less than 10% below the guide price (range = -13% - -63%)	22%
1% - 10% below guide price	4%
Equal to guide price	3%
Up to 10% above guide price	17%
More than 10% above guide price (range = 11% - 167%)	54%
Average per metre value of highest tenders	£101
As % of guide price	117%

PEOPLE PLACING TENDERS – HOW THEY HEARD ABOUT THE VACANCY

I found the vacancy by searching this website	277
It was automatically sent to me because it matched my stated preferences	194
Word of mouth	36
BW employee	31
Local notice / advert for the mooring	12
Other	3
Boat builder or broker	2
Grand Total	555

Source = tender submission data

With about a third of all contracts being secured by people who are already boat licence holders and the great majority of registered users not being people on the waiting lists, it appears that the trial is reaching a much wider audience than existing BW boaters.

⁹ Contracts must be completed within 14 days of tender closing date

In general, with the data so far analysed, we observe:

- positive correlation between the number of tenders placed for a vacancy and the length of berth (short moorings are much less popular).
- sites with moderate facility provision tend to attract more interest than very basic sites
- Sites with a larger number of people on the waiting list appear to attract slightly more tenders.

Uptake of the postal option

140 people have so far opted to register by post. Of these, 11 of these have submitted a tender, four of which were successful.

Difficulties encountered

We are pleased with the way that the site has functioned. There have been no major problems and we have been able to resolve most bugs promptly without customers being inconvenienced. As with any new IT system however, we cannot claim perfection. Our main teething difficulties have been with online processing of certain types of payment card, and in designing the system, we did not fully anticipate the implications of offering multiple vacancies for the same sized boat for tender at the same time. Once the implications of this became obvious, we changed the procedure and now allow a week between the publication of vacancies of the same or similar size at the same site. This allows people to tender for the second vacancy if they were not successful in the first one.

APPENDIX 5

We received several copies of a letter asserting that the mooring tenders trial was inconsistent with BW's obligations under the Equality Act, 2006. Specifically that tendering vacancies would increase the price of moorings and that this would be particularly unfair to women because female average earnings are lower than male. We considered this but concluded as follows:

1. The purpose of tendering is not to increase mooring prices but to ensure that they more accurately reflect the appropriate market rate. Tendering or auctioning vacancies ensures that changes in market conditions are more readily reflected in the price. Currently there is excess demand in the market, so prices will tend to rise, but in times of excess supply, prices would fall more quickly under these systems. We therefore reject the assertion that the policy is discriminatory.
2. Women account for only 14.3% of boat owners¹⁰ on BW waterways, equating to less than 5,000 people in total. Of these, only a proportion will be on lower than average earnings and an even smaller proportion actively seek a new mooring. The number of women affected is therefore extremely small.
3. The trial is designed to ensure that we do not breach UK competition law. The consequences of any breach of its requirements would substantially outweigh any short run negative impact on women from increased mooring prices.

¹⁰ Source – BW Boat Owners Views Survey, 2007

Robin Evans customer meetings 2008

If you would like to attend, please contact the organiser to book a place

Region	Organiser	Date	Venues	Time
North West	Denise Bradshaw * 01942 405793	Thurs 5 June	Dukinfield Town Hall, King Street, Dukinfield, Tameside, SK16 4LA	09.30 to 11.00
			The Orwell, 4 Wigan Pier, Wallgate, Wigan, Lancashire, WN3 4EU	18.00 to 19.30
South West	Karen Morphet *01452 318008	Fri 13 June	National Waterways Museum, Gloucester Docks, Llanthony Warehouse, The Docks, Gloucester GL1 2EH	08.30 to 10.00
			The Bear Hotel, Market Place, Devizes, Wiltshire SN10 1HS	17.30 to 19.00
Scotland	Frances Mimmagh 0141 354 7534	Mon 16 June	Best Western Park Hotel, Camelon Road, Falkirk, Stirlingshire, FK1 5RY	08.30 to 10.00
			The Maple Court Hotel, 12 Ness Walk, Inverness, IV3 5SQ	17.30 to 19.00
East Midlands	Tracey Parkin 01636 675731	Wed 9 July	Nottingham Sailing Club, Adbolton Lane, West Bridgford, Nottingham NG2 5AS	08.30 to 10.00
			The Elms Hotel, London Road, Retford, Nottinghamshire DN22 7DX	17.30 to 19.00
London	Harriet Henniker-Major 0207 985 7205 07500 226139	Fri 18 July	Lea Valley Village Youth Hostel, Cheshunt, Herts EN8	08.30 to 10.00
			London Canal Museum, 12-13 New Wharf Road, London N1 9RT	17.30 to 19.00
West Midlands	Carol Collinge 01827 252031	Tues 22 July	Hatton Meeting Rooms, Canal Lane, Hatton, Warwick, CV35 7JL	08.30 to 10.00
			Chasewater Innovation Centre, Chasewater Country Park, Pool Road, Brownhills, Staffordshire WS8 7NL	17.30 to 19.00
Wales & Border Counties	Veronica Gordon 01606 723802	Thurs 24 July	Rudyard Lake Visitor Centre, Leek, Staffordshire ST13 8XB	10.30 to 12.00
			Doddington Lodge, Doddington Road, Whitchurch SY13 1EN	17.30 to 19.00
Yorkshire	Linzi O'Neill 0113 281 6861	Tues 29 July	The Pastures Lodge & Hotel, Pastures Road, Mexborough, S64 0JJ	09.00 to 10.30
			East Riddlesden Hall, Bradford Road, Keighley, West Yorkshire, BD20 5EL	17.30 to 19.00
South East	Chris Stanley 01908 302552, 07801 049845	Thurs 31 July	The Boat Inn, Stoke Bruerne, Nr Towcester, Northamptonshire, NN12 7SB	8.30 to 10.00
			The Mill House Banbury, North Newington Road, North Newington, Banbury, Oxfordshire, OX15 6AA	17.30 to 19.00