

**ANNUAL MEETING 2009
QUESTIONS & ANSWERS SESSION**

Panel members;

Chair: Tony Hales, Chairman - British Waterways (BW)
Robin Evans, Chief executive - British Waterways (BW)
Mike Hudson - Compass Partnership
Stephen Lloyd - Bates, Wells and Braithwaite

Tony Hales, BW

Right ladies and gentlemen, what I suggest we do is to take the open session in two parts. While we are on the subject of 2020 and we have heard Mike and Stephen, lets deal with that first and then we will come back to the kind of normal day to day questions after that. So would somebody like to kick off on 2020.

Q. Clive Henderson, IWA

Thank you Tony and thank you for what I personally found was an excellent presentation, quite interesting because I know for some time we have criticised perhaps that the 2020 document described as skeleton and we couldn't really envisage the flesh or even watch whether it was going to be an elephant or a humanoid or what, in terms of its shape of its skeleton. Delighted also I think that the Inland Waterways Association sort of history and role was recognised so well today and the vision of Ackerman for this integrated waterways conservancy, now I know you are restricted only to find the solution for British Waterways problems, but the plea would be from our members I know, would be can we design sufficient flexibility into whatever comes out, or at least bear it in mind as we design it, that it could become the sort of integrated waterway conservancy so that it might become a role model for other waterway organisations to perhaps be able to come inside the sort of "tent" in the future and also the second part of the question, is how can the people in this room,

apart from contributing to the debate, how can we sort of gear ourselves up for 10 years time to perhaps contribute this cause? The volunteer hours for British Waterways look strikingly low on there at 4,000 or 4,000 days I think. I suspect that the calculation and the measurement figures can be developed more and we can actually prove that we are, amongst all the voluntary groups, doing far more than is currently there and we need to make sure that is recorded and recognised. Thank you.

A. Tony Hales, BW

Thanks Clive. I think just to pick up on the very first part of that, I think it is a very good point that you make and colleagues should take that on board. I have always made it very clear from the moment that I started that we were not going to be predatory towards other organisations because that was damaging in the relationships and we had all got a lot to get on with if politicians and stakeholders who own other organisations wish to come closer with us, then we were of course always open to work with them, but as you know, my predecessor caused a lot of antagonism by going in a bit heavy on that front.

I think your other points in terms of how do we take this forward, how do we particularly engage with the users, the IWA, NABO, the various other organisations that are here.

A. Robin Evans, BW

Well I think its critical that we move quite rapidly into a number of workshops with a wider stakeholder group. What we have done is we have engaged Mike and Stephen to give us an outline. They are going to continue working with us I hope in developing the model and that has got to be informed by a much closer engagement with our wider stakeholder group so we will be moving quite rapidly to workshops and other meetings with you, over the next two or three months so that we can get some sort of consensus as to what form, what the characteristics of any move should be.

A. Stephen Lloyd - Bates, Wells and Braithwaite

Can I just pick up one point there which is your point about flexibility and making sure the structures were robust enough to be able to add things on and certainly, any of the structures we are looking at, certainly once you have got to the point where you set up a new structure, obviously the current structure is limited by the statutory limitations of what the British Waterways Board can do under the current statute, but once if we get to the point of setting up an independent third sector organisation, I would envisage whether it's a charity, whether its just a community interest company or a company limited by guarantee, it would have sufficient flexibility in terms of what it can do and its governance structures to enable it to develop and expand appropriately.

A. Tony Hales, BW

And your third point was on volunteers. I am sure you are absolutely right that we don't count all the contributions that are made because so many of them are made by, you know, widespread organisations, but we do want to try and count that and Ed Moss is the volunteers manager, its very good for us in terms of gaining political support which is again important financially that we count that. I mean I would just again reinforce my comment that volunteering is not just about doing work on the infra-structure of the waterways – its just as importantly about the fisherman, guys who are out there teaching young lads to fish and keeping them away from perhaps mischief on the streets, and we have a little funding from the Arts Council to look at art on the waterways, so its about engaging the widest number of social people in the community through volunteers and volunteering in different ways that happens at the moment.

Q. Terry Kemp, Kennet & Avon Canal Trust

How do your advisors come forward with a proposal to deal with the potential conflict between the commercial needs of British Waterways in the future and the social needs of British Waterways?

A. Mike Hudson, Compass Partnership

I think these days, many third sector organisations and indeed many charities combine a large element of trading with their raising income from appeals and meeting their social causes. Now clearly the overall purpose of the charity is to meet a social objective, but the majority of the large ones would be sometimes in competition with each other, sometimes in competition with the private sector or indeed the public sector, trading and earning money and operating in a sort of a business like model and trying to make some surpluses from that, in order to fund some things that they can't fund through commercial purposes and they will have separate income streams for, as many of you in this room will know, appeals and for legacies and all those sorts of things and one of the tricks of a charity, a good third sector Board, particularly charities, is to be able to balance and get the right balance between trading activities and earning money from contracts, but having freedom to determine their own future which is crucially determined by the unrestricted income they get from appeals and donations like that. That gives them the freedom to pursue the cause that they want to do it, to champion the thing that they want to champion themselves and it gives the Board the freedom to choose what it does, within a model that they have to make judgements, so combining commercial interests with charitable interests.

A. Stephen Lloyd - Bates, Wells and Braithwaite

Can I just add to that, I mean a lot of my clients are organisations that have to earn their money before they can spend it. They are charitable organisations, they have engaged hugely over the last 20 years, more than 50% now of charities' income comes from trading. Last year it was the first time the majority of their income came from trading. So these issues are live and real, but actually the beauty about trading income, its long term sustainable income and it does not come with strings attached, so charities like that.

The other side of the coin I think is worth picking up on as well, is that I act for a number of corporate foundations, organisations like the Vodafone Foundation set up by Vodafone

Group, funded very heavily by it and there are often conflicts of interest potentially there between the interests of the commercial organisation that wants to use the charity to portray the commercial organisation in a good light and you have got to be able to police those frontiers and make sure they work, but my experience has been and actually so long as you have the right people and appropriate structures, you can make them work. You mustn't be naïve, they are problems potentially as you rightly allude to, but they are completely manageable in my book.

A. Robin Evans, BW

Can I just give two examples – I worked in the third sector most of my career. Two examples – the Landmark Trust, wonderful organisation which restores small historic buildings, lets them for holidays. It is probably the most commercial holiday letting company that there is, the prices they charge are extraordinary but they are brilliant, brilliant places to go. But it puts all its money into rescuing and repairing new historic buildings and there is no problem with that. Historical palaces, already been mentioned. I think it costs you £12 to get to Hampton Court, probably even more to get to the Tower of London. Those are the right at the top of visitor attraction prices in this country, yet they are a charity and it doesn't stop them at all, absolutely maximising the commercial opportunities that there are there, as well as delivering its social causes.

Q. Tony Mann, Coventry Canal Society

I would like to ask, what else would we like to know, and our society are most concerned that in your 2020 waterway unit boundaries, that the whole of the Coventry Canal is actually in one sector which obviously includes the 5½ to the Coventry City Basin. Now we have not yet had a reply back to say that this is the case. Would you be able to give me an assurance?

A. Dean Davis, BW West Midlands, Waterway manager

The Coventry Canal goes from Coventry Basin right the way through. Its entire length is managed by one business unit, that's Central Shires.

A. Tony Hales, BW

And that is, I know, what some of the reorganisation was about saving some money, but part of it was getting those waterway units closer to you as individual users and building that relationship between the users and the local waterway manager.

Q. David Fletcher, NABO

Could I ask Mike about stewardship – many of the third sector organisations you talked about handled discreet assets, whereas we see the canal systems as a system and needing overall management. Do you think that would be assisted by the third sector or would it be a problem and do we draw any parallels with Railtrack?

A. Mike Hudson, Compass Partnership

I did wonder about mentioning the Railtrack example. Always a dangerous one to use. Welsh Water is much safer I think probably. I think it is quite possible within a single governance and stewardship structure to see the waterways network as an integrated network that overall there is a Board at the top that has responsibility for the network as a whole. I think under that, there may be a variety of different sorts of arrangements that are appropriate to different circumstances and I don't see a particular problem with maintaining the integrity of the network. I am just trying to think of an example – the National Trust in a way has lots of properties, but it also has policies that cover all their properties. Other, sort of large organisations, large charities that provide services all around the country have more freedom than one might envisage for British Waterways in the future, local branches of Samaritans, Relate, Victim Support, all those organisations, they are independent organisations but they have to work within agreed national policies, agreed national

standards, agreed reporting arrangements and so on. So I don't see a problem and I do so an opportunity in a way for having flexible arrangements. You have got waterways that are currently owned and run by British Waterways as the gentleman earlier was saying, there may be some waterways that wish to come into the party in some or other, not necessarily to be controlled. The third sector gives opportunities for a wide variety of relationships to suit different local circumstances, so its quite possible.

Q. Simon Robbins, National Association Boat Owners

I am also from the London Waterways Commission. I am going to say something controversial as usual. There is a feeling among a lot of the people I am talking about that the main subject you are talking about today represents, with respect to the gentleman who has come to talk about it, a lot of smoke and mirrors. The fear is, as was mentioned, this doesn't address your £30m a year funding gap. The last Annual report showed, what I would call, a devastating year for British Waterways in terms of your property portfolio and I ask the question, will British Waterways actually be in any viable position to implement any of this in eight or ten years time?

A. Tony Hales, BW

Well I will start and then give Robin a chance to just think about your usual challenging combatitive question Simon. We started with a £30m gap and £10m of that should go with the reductions in costs, once this programme of current cost reduction has gone through. So that has reduced the target to £20m. The additional income that was put up today showed a target of around £10m so we are significantly biting into that. That is one thing. We are also driven, I mean there is and I hope you recognise it, a genuine commitment to get closer to our local community so it is partly financial and it is partly a one of philosophy. You, as perhaps a bit of a cynic, having seen the waterways over a long time, will want to see it happen before you make the judgement and that is fair enough. It was an appalling year for us on property. It was an appalling year for the whole market on property. We actually

managed, I think, to wriggle through pretty well in relation to what is going on and what we did do was the property portfolio lost the gains that it had had, the exceptional gains that it had on the previous two years. It is still a substantial property portfolio which will provide significant income in the future and if the property market just recovers a little bit, the leverage that is in there should see it come back quite quickly.

A. Robin Evans, BW

I just think that there is no point in saying its all going to rot and oh my god what the hell are we going to do. We are trying to do something. If you look to where our sources of income come from, they come from the public purse. The public purse has done the waterways very well in the last ten years. I cannot think there is anyone in this room or anywhere else, that thinks that the public purse is going to be able to support the waterways any more than it currently does and there is obviously a great fear that it may support it less. No matter how much banging on the drums we do, there is a real problem with the public finances so we can't look to the public finances. We look to commercial income. The growth of commercial income has been absolutely phenomenal in the last ten years. Over 60% - 70% increases in commercial income. The only way you can grow it further is by having more capital to invest in more commercial activity. We are simply precluded from raising more capital. You can't grow businesses without capital injection and we don't have the ability to grow it. So if you look at the public finances and you look at our commercial income, we can't see any great prospect of growing those so we have to look for a third way of which we can improve the funding and the resources of British Waterways. That is not abandoning the public and it is not abandoning the commercial. It is trying to broaden our funding base. We are an organisation that passionately believes in what Tony says, we are not going to lose any canals. We are going to continue to improve them and that means broadening our base, broadening our governance space, and broadening our funding base, and I am absolutely in no doubt the British Waterways will be here in ten years and we will be thriving, but it will take us to be bold, it will take us to be innovative and will take us to seize the opportunity with our own hands and not let other people do it to us.

Q. David Wheeler, Director of Rochdale Canal Trust and Withymoor Island Trust

Can I first of all report that a prominent member of the waterways press is not here today. Stanley Holland who most people know, had a heart attack last week and is in hospital and I am sure he would send his apologies and I am sure we would send him wishes to get well. Tony, in your opening speech, you said that you regarded your property dowry as being very important and that you were looking to improve it as part your sustained income. Can you explain therefore the reasoning behind the selling off of the Tardebigge cottages?

A. Tony Hales, BW

We have a number of residential properties and they do give a very very modest income return. From a purely financial basis there is a better return to be had by selling those domestic properties and reinvesting in a better commercial property return. I also actually think that providing the, its actually like our old boats. Providing those cottages are put into the right hands and by somebody who wants to own them, who is an individual who is passionate about them, they are going to be better looked after than in some State organisation.

Q. David Wheeler, Director of Rochdale Canal Trust and Withymoor Island Trust

I agree with you entirely from that point of view. What guarantees do you make if you sell it to someone, that it won't be redeveloped when it's a protected site? That would apply around the UK, not just at Tardebigge.

A. Stuart Mills, BW, Director of Property

The issues at Tardebigge are that we don't have the money frankly to look after the properties in the way they should be looked after. I think that is where we are. As Tony says they don't earn a sufficient return to enable us to invest the money we would like to

invest in the waterways. What we will do with the Tardebigge properties is to ensure that in any sale contract, there will be protection which prevents any subsequent owner from altering the external appearance of them, without consent. So that protects the external appearance of them. I think the other thing is what we will be doing is retaining the ownership of the common parts around the cottages so the access ways and all the rest of it and that gives us a level of control over what happens in terms of redevelopment.

Q. Earle Wightman, Chairman of Heritage Narrowboats Ltd

I was just wondering how involved the Government has been and the ministers and of course the civil servants in your discussions to go to the third sector and is there a real danger, under the present regime and financial situation, that they won't steal lots of the property?

A. Tony Hales, BW

There is a danger that they could steal the property. There is always that danger and we have argued that case successfully in the past 12 months with the Grimstone report and that was argued on the basis of :

1. The performance in the past, we had out-performed the market. We had delivered substantial public benefit from it and that the plans going forward were very solid and the grant needed to replace the property income really outweighed any benefit in selling the property, so that was accepted at the time. There will always be that pressure. We have to be vigilant all the time to argue the case, because there are those who will always go for the quick short term buck.
2. The question then on the involvement of ministers – I think you have got some of the flavour about Defra in England and Wales, and Scotland. Defra ministers are interested in what we are doing. Defra are interested in the whole 2020 debate and they are very, I think, sensibly sitting there saying “come on – we are not actually signing up to this, we think that the ideas that you've got are very interesting. We would encourage you to take

them out there and develop them and to develop proper financial models, proper regulatory models to develop them with different stakeholder groups, the users, the employees, the local communities and so forth and come back, and then we'll take a position which I think is entirely understandable and responsible.

There is a slightly more nervous one in Scotland which says "actually we rather like what we've got – you've got to demonstrate that this is better". I think from the opposition parties, there is perhaps a slightly greater degree of encouragement on this. They are, as possibly you've heard this week, very very keen on promoting the third sector and different models and in a way, you would be the same if you are in a, you know, an alternative Government you are looking for alternative ideas. So the politicians are supportive, all the parties came to our launch event. All of them spoke at the launch event. All of them are supportive of this process but, I guess like many of you here today, want to see the flesh on the bones before they sign up to it or not.

Q. Jim Greenwood, UNITE representative from Leeds & Liverpool Canal

How do BW intend to maintain the current direct labour workforce with its skills, loyalty and knowledge if they move to the third sector or a charitable status?

A. Robin Evans, BW

I don't think myself personally sees there is any difference to how we develop, motivate and maintain the excellent work force we have in the public sector and in the third sector. We need the skills and talents of all our people to protect and develop the network. We need to grow our capability. We need to be able to do more with less and all those themes and that will be the same whatever and wherever we are. What I do see in the third sector is a way in which we can gather around us more support and actually if it really comes to it, I think that what I want passionately for our people in any move, is for them not to be seen as part of an organisation that is going against the tide of our stakeholders, but working much more closely with them. I think our frontline staff too often have to bear the brunt of stakeholders

who regard them, British Waterways, then the Government, as doing something to the waterways. I passionately want British Waterways to be part of the same cause that everyone else and so I think moving to the third sector will only be good for our people.

Q. Lin Ingle, Unison

The one thing that concerns me whilst you say that you want the workforce to go with you, at the moment you know that they are not exactly there. I think there is a lot of concern which actually we can harness to go forward into the third sector, because at the moment, most of the bank staff, I feel that they are being set up to be either sold off or taken over or whatever, whereas actually they could be used to involve more volunteers working with them, using their skills, training people up and for the most important part is to actually engage young people. There aren't many people in this room, you know, that could consider themselves, I hope that I'm not insulting anybody, as particularly young. We need to get young people involved in the canals. They are not. We don't have ethnic groups. We don't have young people. Why not? Are we just, you know, white middle class male whatever. How are we going to engage those people if we can't actually engage our own workforce and give them the assurance and the confidence that they are going to go forward with BW?

A. Robin Evans, BW

I think that's great and I am absolutely behind you. I think we are going through a different time. No one can say we are going to lose a 100 jobs in an organisation. An organisation that is so committed and so close as we are and it is very difficult for us and I understand that and I have always understood that and we are going through a very difficult time at the moment as we shed those jobs but we have done it before and we will emerge and will emerge stronger and will emerge united and I know that that will happen.

I have recently spent a lot of time going round the business looking at different projects to judge the BW internal Waterway Excellence Awards and the one thing that has absolutely

delighted me and lifted my heart is that almost on every occasion, there is a volunteer aspect to the work we are doing and on almost every occasion, it's the guys on the ground which are the most welcoming, the most positive, the most constructive about that help coming in and I couldn't agree more with you that there is a huge reservoir to build and to get from our people to increase that volunteer use, increase the diversity on the bank. We haven't engaged with our people as much as we would have like to on the whole 2020 issue. That is because we made a strategic decision that we were going through a re-structuring and to try and run the two things in parallel, would be very very difficult. Now that we are emerging from the re-structuring, we want to go full pelt into more discussion, more engagement with our people about the 2020, harness their views, harness their energy and I very much hope and believe that by the end of those discussions, we will have a very united and joint view on the future. It's going to start, I would hope, next month.

Q. John Edmonds, IWAC

As you know, IWAC has taken this proposition extremely seriously. We spent a great deal of time debating with representatives from BW, thank you for coming to our meeting and amongst ourselves, how we should respond to these ideas. I am sure that we can write a considered report in better words than I am going to use now, but here goes.

First of all the engagement with stakeholders, the engagement with local communities, the closer relationships, the closer involvement, the closer participation. I think it is extremely unlikely that any member of the IWAC Council or any member here would be against that process. A lot of people are saying I am not sure that is quite dependent on the move into the third sector and why doesn't it just start and then even Simon might be reassured. So lets have that. No problems about that at all.

The second part, the move to the third sector – I was surprised that the list of concerns that Mike put up was so short. Let me add two more and they are very obvious ones. 11 years is a long time. Someone has already remarked on the demographic in this particular hole. Very few of us will be in our present jobs in 11 years time. Some of us might not be on the earth side of the turf in 11 years time. Now, there will be changes of Government and that

will make a big difference. There will be changes in the BW Board and that will make a big difference. There will be changes in the leadership of most of the organisations represented here. So carrying through a process for 11 years is extraordinarily difficult and I would have thought that that concern might actually have a part of how that is going to be managed, because by and large new people coming in to these positions tend to have new ideas and are not so happy just to pick up the baton that has been passed to them by their predecessors.

The other concern which I would have thought is so big and so immediate that it really can't be ignored is something that has been touched on but perhaps hasn't quite been examined in its full detail and that is, that in the next two or three years, the public finances are going to face the biggest crisis for at least 60 years. I would have thought it's difficult to find a time certainly later than the late 1940s where there is going to be a more serious problem. Now that means that the possibility that the Treasury in whatever Government happens to be in power after May, the Treasury will certainly have some ideas about how to use the property and investment portfolio and this is not some distant possibility. I would have thought that is something that you could get pretty heavy odds on happening, so that's point 1.

The other point is that as has been acknowledged, at least in passing, all Government departments including Defra and by the way, we don't know whether Defra will be there after May, all Government departments will be under enormous and really unprecedented in most people's lifetimes, pressure to cut costs in a major way. I mean the scenarios you know what they are doing at the moment – they are taking percentage figures and working out scenarios against them. That is an immediate problem and whether British Waterways and the other navigation authorities emerge from that tempest in, I don't want to take the metaphor too far, but in ship-shape fashion, or even so that they can avoid sinking is, I would have thought, the most important and the most difficult problem that is going to face us all.

So two concerns I would put up first of all 11 years is a long time and secondly, this is a financial tempest of unprecedented scale and perhaps we should be devoting a great deal of our time to thinking how we are going to get through that. Of course this might be an exercise in political positioning in which case it is extremely sophisticated and I pay tribute to

everybody, but it is actually a little bit out of timescale if that is the intention and it needs to be able to move through the gears rather more rapidly that it looks as if it would be possible within the present arrangements.

Sorry I have spoken so long but I just tried to give some indication of the thoughts that are going through the IWAC Council's mind. Thank you.

A. Tony Hales, BW

Thanks John. I mean I have to say personally I rather agree with you that 11 years is a long time and the Board is particularly keen to get a "straw man" up that we can really get our teeth into in the next few months and pushing our colleagues to get the resources to do that, because clearly when, after the election, something is going to happen. You know, none of us know what is going to happen, but the cards are going to get shuffled around by whoever wins. There will be, on the one hand, we are now kind of into contentious stuff and political stuff and I don't want to be political but I think clearly whatever Government comes in is going to be under pressure on public expenditure, but it is always going to be on pressure on delivering a lot of public services and a lot of us have kind of touched in different ways on young people and it concerns, I think, everybody in this room that there aren't enough young people here, they aren't enough young people involved in the waterways, there aren't enough young people who are coming out and getting jobs at the moment and this is a major social agenda and I think it is a major political agenda and the waterways have got some great ways that we can play to this and in playing to it, not only is it good for the waterways, our society, but it's a source of getting income coming in. I was, on a small basis, we were talking about this yesterday, up in Ellesmere Port about engaging with young people and I think that's why we would like the waterway movement to get, you know, really going on this agenda.

Q. Nigel Stevens, BWAf

Thanks very much. I think its fantastic that you have brought it so far. Those of us who have thought that there should be a Waterway Trust for decades, certainly don't want to wait until 2020. We would rather do it next week if we could work out how to do it. It is very pressing, I think John is absolutely right. You must have had a reason for saying such a long time but if you can re-think and say that it could be done quicker, that would be much more effective. Can I ask my question which is about liability – you are not planning to do this by public floatation as it were, you are not going to be a commercial entity and therefore you have not got to write a prospectus in quite the way that you would, but you can see that there is a liability issue for whoever is taking responsibility for this. At the moment, there are statutes which require, they don't compel, but they require British Waterways to maintain the waterways in a given condition. There are ministerial instructions that can vary that – how do you see those things being passed on to the new body, whatever it is, where would responsibility finally lie? Obviously in the end one would be looking to the Government and the Government would be playing “we won't do that” but in the written down world, where would the responsibility lie?

A. Stephen Lloyd - Bates, Wells and Braithwaite

Well, what I envisage happening is that, as Robin has indicated and indeed Tony, I mean I cannot see a position where you will get to the point where there will not be a relationship with the Government for some funding. However good the commercial income might be, however brilliant it might become at fund raising, there is still going to be a gap and that gap isn't necessarily going to be funded by some settlement with Government. So at the moment, you have a system which is based on statute and a statutory body that is empowered to do certain things in relation to the network and has liabilities in relation to it arising under statute. Under the new dispensation, if we move to an independent third sector organisation, I would anticipate those obligations to be imposed upon it by contract with the Government. Now whether it's a contract which will be subject to public procurement potentially or whether it's a grant regime which might be subject to critiques on

a State Aid, are further issues we are going to have to look at as a next stage of planning. But in either event, I would anticipate the Government requiring in return for the passing of money, an acceptance of obligations.

That still leaves the question which Mike raised as well, does that get the Government off the hook of being, if you like, like the Bank of England, the funder of last resort? Well no it doesn't because if the operating company goes bust, the contract will revert to the Government and if there are big leakages all over the network, someone is going to have to repair them, unless the Government is going to take the public opprobrium of letting them rot. So, it is an issue. I don't think there is an easy solution to the ultimate question of ultimate liability, but I can certainly see a regime whereby normal issues of liability are dealt with in the way I have indicated.

A. Mike Hudson, Compass Partnership

I just want to come back on John's point on 11 years, 2020, and just be completely clear in the brief we have had from British Waterways and also our understanding of all of this – 2020 is a sort of a horizon, it's a round number, it's a period forward. I don't see any reason why many of the things we start to talk about can't be put into place fairly soon and I think it would be advantageous to start to put some of them in place fairly soon, whether or not there is a final move to the third sector, because there are opportunities here for BW to exploit. So I just want to make completely clear I am not envisaging that nothing happens until 2020. I know some things are already happening on volunteer strategy for example and I think other things as a result of our study could be expedited to happen more quickly. Where the final point might come if BW was actually to become an independent third sector organisation, is much harder to predict because it depends on primary legislation. It could be that in many ways you are sort of emulating a third sector organisation, but still operating under a State umbrella, until at some point in the future a Government says "well this is no-brainer now – its obvious, they look just like a third sector organisation, why don't we just change the legal structure". So we are not in any way thinking that nothing happens until 2020 and in fact it should start sooner in our view.

Q. Clive Matthews, General Manager, Avon Navigation Trust

I would just like to thank Tony and the Directors of the panel for starting this debate and sort of drawing all interested parties into the debate of waterways. The Avon Navigation Trust, as some of you will know, is actually an independent navigation authority, independently funded and a charity. We have operated in that way for just over 50 years and we are a very very small example of the fact that this could be done and we are an example of that. In our experience, the benefit of being a charity is simplistically, including all those people that have passion about the waterways, into the actual running of the waterways, rather than perhaps being seen as people on the outside, they are actually part of it, part of the organisation, volunteers, part of the structure. I mean we welcome very much the fact that British Waterways are now looking towards perhaps moving that way. I think, picking up on John's point of the funding issues going forward, the only way we as interested people in the waterways, and our common aim is the love of our waterways, is the only way we are going to deal with these real problems is working together and coming up with solutions together, so we very much welcome it and we hope that all charities or similar organisations like ours, will be involved in that sort of debate going forward

A. Tony Hales, BW

Thank you very much and if I declare an interest, I am one of your members and a keen supporter of what you do and entirely support what you said and I think it is an interesting relationship you have and whether as a wider relationship available for, if I call it big brother British Waterways and smaller brothers like the Avon Trust because I think we have a constructive relationship and long may it continue.

Q. Bill Purves, Scottish Activist and Caraboat Owners Group

I have been most impressed with the whole idea of the scheme of going a different route but one of the things that has worried me, I have been a worrier all my life, is that the whole present structure depends on its stability on the existence of the property portfolio, which to

me, BW seems to own at the whim of a crowd of politicians, of whichever colour doesn't matter. But one crowd in particular where a public ownership at one time of anything, another crowd were for privatising and we have seen the result of that in the railways. Now British Waterways, if they move to the third sector, have the opportunity of adopting a constitution somewhat like the National Trust, which could give inalienable ownership of the property. Has this been considered and is it considerable? It would give a stability which is otherwise, to me, lacking. Thank you Mr Chairman.

A. Tony Hales, BW

That is exactly what we want. I mean, I would take as a model, Oxford University for example which has got an absolutely huge dowry of property that it has managed to build up and which funds a lot of its activity. We would like that. This is exactly one of the reasons. We would like to be outside this, sort of whim from one year to another on our property. Its not going to be easy. I mean we all know the fact that not only are the sort of beady eyes look at it at short term, but the Treasury quite like that idea of always having a long term pot, which they could wrench out and if we got out into the third door, out of that direct public sector area, I think one of the absolute conditions in terms of agreeing a contract with Government, is that we took a sizeable dowry with us.

A. Stephen Lloyd - Bates, Wells and Braithwaite

Could I add something to that Tony. I mean the way in which you make sure that property is "inalienable" is in many ways. It could be if we set up the new organisation as a charity, because that charity status brings that like the National Trust. We might not want to set this up as an organisation as a charity because of the constraints in terms of whether or not you can have a paid Board of Directors and whether or not you want to volunteer a Board running this organisation, so you might consider setting it up as a community interest company, but that brings you a different asset lock, very like a charity so that the property then is safe once again. Or alternatively if you didn't want to go down that route, we could

set it up as a company limited by guarantee, just like Welsh Water is and under the new Companies Act 2006, you can now entrench provisions to make assets inalienable, say with the consent of all the members. So you can make it very difficult in contract within the organisational structure, to make sure that assets are preserved in perpetuity, so there are different ways in which one can cut the legal cloth to make sure that the outcome that you are wanting can be achieved.

Q. David Fletcher, RYA

Thanks Chairman. As you probably know, I represent the RYA on BWAF. I would just like to congratulate you for attacking this issue at the moment. It is very important that it is dealt with now at this time of change and I think if we remain static and we don't address this issue now, we will just be swept away in the flood as someone up there suggested.

There are just a couple of points that really do concern me. Just to begin with – I think there is no doubt in my mind that if BW was a third sector organisation, properly funded and properly managed, could do a super job of running the waterways. Indeed all the waterways not just its own waterways and it might be possible, as was suggested earlier, of setting up that organisation very, very quickly in a matter of months or a year, under the existing Transport Acts. The comment that private legislation takes a year or so is hopelessly optimistic and it will probably take 10 years to do it from my experience of seeing it happen. Certainly with the changes that are going on now, it will take a very long time to do, by which time it would be too late – BW will be bust, totally bust. So it is possible to do.

However, the thing that worries me most and worried me when I looked at this issue a decade ago, is how you guarantee relationship with Government and at the moment, as we all know, they are legally liable today for the consequences of their failure and their under-funded waterways, so when the deaths and the collapses happen, which they will despite your strenuous efforts, they will happen, that Minister, and Secretary of State, and Prime Minister are legally and directly liable for them, knowingly under-funding the waterways. If you told them of the consequences, they are directly and personally liable in law and that seems to be a very powerful incentive which I and many others of you in the past, to get

funding out of them because of their personal and direct liabilities. If that is broken by having a contractual relationship, and I have done a lot of contracts in aerospace business for decades, I don't know how you can have such an honest relationship to make them understand their liability and I have discussed this with Government ministers and stuff now and also potential ministers, and Prime Ministers, you know after the election and I can't get any understanding from them that they will commit to anything over a long period, of the substantial funding from the State that, in my view, is needed for the waterways. I have never believed in this self sustainable, which went to all the large self sustainable. In my understanding of the finances of BW and the waterways, it's a myth and will always require substantial funding from Government because of the wide social obligations that BW have under these Acts to help the country. You know, if you are running a business you would close down half these waterways now because they are just not financially viable and are not being properly funded. Obviously we can't do that because under law we have wider obligations and the Government have those wider obligations as well.

So my question to you is, I shouldn't worry too much about, you know, the administration and the participation involvement of all these people – all that can be resolved, you know, with a good heart and we are all of good heart, all that can be done. The issue is how do you tie in the Government, irrevocably to substantial funding through into the future, for the gains that they as a Government want in a State and I don't, I say in my conversations with them, see any commitment that that will happen? Do you?

A. Stephen Lloyd - Bates, Wells and Braithwaite

I mean the questions about liability are absolutely well made and absolutely fair points and pick up what I was saying earlier. I don't think that contracts alone can deal with these issues because, you know, contracting parties fail and you still can have leaking canals and somebody has to pick up the liability. I think that is one of the most difficult hardcore issues in this entire debate, because when you speak to Government and say, let us free, let us walk away with a property portfolio into a charity, or a CIC, or whatever it may, the Government is going to be worried. They still ultimately have the liability. Whether or not

that is enshrined in law, whether its enshrined in a contract, ultimately morally it people are getting flooded and there is no-one to stop them because the company that should be doing it has gone bust, people will look to the Government. So that risk for the Government is big and tangible and I think that is one of the major issues. Its almost one of the elephants in the room that we have got to deal with, if there is to be a final state that moves to the third sector. In terms of evolution, picking up the point that Mike was making earlier in answer to the earlier question, I think that doesn't need to stop you evolutionarily evolving BW within the current structure, a long way down the road. But I do agree with you, it's a major issue and I haven't got a solution to it at the moment.

A. Robin Evans, BW

I think it is fundamental misunderstanding of what we are trying to do. I mean I categorise what you are saying Dave, as the sort of catastrophe way of running British Waterways. We know that when a big problem occurs, Government will act, but it has to be a catastrophe because they have so many demands on their money, that if you are just asking for maintenance money just to carry on, they will ignore you, so when you can demonstrate the world is collapsing, do you have a safety backlog, you are about to go the same way as the railways, you can make them pay up. But once you have done that, you then have to wait another 20 years until you have another catastrophe and then they will pay up. That is no way to run the third biggest owner of historic property in the country, the most loved historic network and the best used network of any European waterway system. You have got to have a long term maintenance solution for the problem. So I just don't believe in that scenario. You say you don't believe in the self sufficiency and all that. The real Government grant in real terms since 2003 has reduced by 47%. Have you seen a reduction in British Waterways by 47%? No you haven't, because a commercial income has risen by almost 70% and it's that drive to make us more accountable, deliver our own money, has helped us survive and it is that drive to make us accountable to find the new sources of money to be masters of our own destiny which is absolutely behind this drive to find new sources of income, empower us to develop a better relationship, empower us to exploit all the

opportunities that are out there. I simply don't accept that moving from where we are now, to the third sector as Steve says, puts us in a worse condition. We only had to look at last year. The Banks. The Banks have been rescued as a measure of last resort from catastrophe. If you can do that in the private sector, you can certainly do that to an organisation where 97% of the people you ask say it is a treasured national asset.

Q. Vic Smallshire, Chairman of Dudley Canal Trust

First of all I would like to mention that the Locks Conservation Area in our canal is currently owned entirely, all the land in the conservation area, is owned by ourselves, yourselves and the Metropolitan Borough of Dudley. It comes as no surprise of course that you are prepared to sell off your share to anybody who will buy it which rather unnerved us. We being rather richer than you, are buying it from you and I think as it should be. A little bit unnerved when in amongst the many conditions which I am sure David will be delighted to know that you employ lots of conditions, that you wanted us to contribute to the upkeep of the towing path which fronted the property we are about to buy. We pointed out that we are already contributing £30,000 a year to the maintenance of this canal and that is all you're getting. The property people appear to be happy with that for the moment. To move on, I am a little disturbed, as it's the first time I have heard this morning, of a minister for the third sector. As the Chairman of a very successful canal society, I hope I never come across this lady who presumably, being part of the Government is going to try and govern us, that's the last thing we need.

Now I want to solve your funding problem. I always try to come to these meetings with a positive attitude. We have a problem. We have all been lied to by successive Governments for as long as we can remember and yet we still believe what they tell us. They tell us they are impoverished. I would like to quote from a couple of press cuttings. On 22 April it was reported that a £100m pounds of tax payer's money was to be spent on upgrading 3,000 miles of road and 400 miles of rail track. Sadly nothing on canals. It hardly matters because this money was to be spent in South Africa.

On 30 July it was reported that Britain is to pay India £800m in aid over the next three years. Yes India have just launched its first nuclear submarine at a cost of a cool £2bn. I am not sure if the boat's name is "Arihant" which means death to our enemies apparently and is built on Josher Lines I understand. I think what the Government need is probably a crash course in organising their priorities and I am happy to organise such a course at my usual rates.

A. Tony Hales, BW

Well thank you, I think that is a political statement rather than a question. I am not going to answer that but I do think we get fantastic support from Defra. It will give me an opportunity to say that Governments have to take their own priorities of where they spend their money. It's not for us to, as an organisation, to comment on overseas aid and things like that.

Q. Mike Palmer, Waterway Recovery Group

I think all four of you have talked about widening the supporter base and I do agree that the current supporter base in its widest terms, clearly isn't enough to generate Government loyalty or enough money to make it sustainable. However, the existing supporter base is not renowned, does not have a great history of welcoming others in and I was going to ask our consultants whether they have any examples out there in the third sector, of charities, third sector organisations who have managed to widen their support significantly, even in the presence of these conflicts?

A. Stephen Lloyd - Bates, Wells and Braithwaite

I can't necessarily come up with an instant example but I think it would be very fair to say that in the full roundness of the third sector, there are charities that have groups that are critical of them within them, that have groups that are critical of them outside them and there are other charities that don't have very such criticism and what I do think the third sector does do, and in strives to do, is enables and encourages organisations and their critics and they've got them. You only have to look at SCOPE or some of the other charities where

there are differences of opinion within them, what they do try and do is encourage engagement, discussion and debate, to respect the people who have got particular view points, to listen to them, to take account of their views where they can and to try and create a sense of a large tent to get as many people as possible inside the tent, rather than have people outside the tent. Now it's not always possible and you know, if you were to become a third sector organisation, I am sure there would be critics and groups outside the organisation who would want to challenge you, but I do think the culture of the third sector is one of welcome and engagement and debate with those sorts of groups and I do also think that building particularly on what Tony said, that one of the things I think a move to the third sector would do, is enable you to reach out to wider audiences by doing the sort of range of things that Tony described so clearly in his presentation. I don't think it is just going to be saying "come and work for us and help us dig canals or maintain them or whatever", its going to be a whole range of diverse things that enable different groups from different backgrounds to become involved in some way or other with the waterways network and that to me is the challenge of joining the third sector and that's the great joy of being in the third sector as well.

A. Mike Hudson, Compass Partnership

Can I add one thing to that. I mean I was involved as I mentioned earlier, in the whole reorganisation the British Red Cross Society and when that happened, the local groups who became centralised into the one organisation were hugely suspicious of this proposal. There was a colossal amount of flack about it and the organisation became more dysfunctional because of that concern. 10 years on it has been a huge success. The fundraising income has doubled because actually they have got through that cultural change, welcomed lots more people into it and made it a really thriving organisation, so these things are possible in my book, with good leadership.

Q. Richard Smith, Bristol City Docks, Bristol Harbour Authority, Bristol City Council

I am very much an independent observer if you like. A question for Robin and Tony rather than the other two. You have used the words "exploitation" and "business opportunities" and as I have made the effort to come up here today, I would be interested to know if BW are, as part of their third sector drive, looking to expand their empire and as an example, would they be interested in moving into Bristol City Docks as a business opportunity and as I have always been pretty envious of British Waterways and the resources its had, I would be interested to know how I would be able to sell that, if the answer is "yes", to Bristol City Council who are currently investing £12m into Bristol City Docks at the moment?

A. Robin Evans, BW

If you look at what we have done, I think the last acquisition was the South Docks in Liverpool, which we took over. We made a good attempt to bid for the docks in Swansea because we thought that they had great potential and we could add something. We are absolutely not adverse to expanding the work we do, in fact we are completely the opposite – we love to do more, we believe in waterways, we believe we are great at managing them and we want to do as much as we can. What I will say is we are not in for taking any more liabilities on. We have a lot and we can barely fund those at the moment. But if we can talk with you and we can find a way in which we can bring all the expertise that we have, to bear in managing and running and improving and developing the waterways in Bristol, we would be delighted to do it.

Q. Howard Smith, Erewash Canal Preservation and Development Association

Nobody has asked how much is consultancy costing?

A. Tony Hales, BW

Well its £30,000 so far.

A. Robin Evans, BW

I think that's right. £50,000 at the end and as I heard, is that if through this work we end up finding a solution for the waterways that puts them in a firmer governance and funding regime for the future, then that is a very very due price to pay. I have to say we will be spending a little bit more on that, than that over the next few months as we develop the idea but that is what it has cost to date.

Q. Questioner did not identify himself

This is a question for Tony and Robin really. I think out of all the things I have heard today, one of the things that is guaranteed is that Government funding is going to be extremely difficult to come by, certainly over the short term and maybe 5-10 years. I am just interested whether, I mean obviously the one thing that would really pin BW's success is if you ever did come to a business plan that was self sustainable. I just wonder whether you have ever actually done any work on how much of the waterway network you would actually have to cut out to be self sustainable? I mean if for example, it was 50%, obviously that wouldn't be acceptable. But if you had to cut out 10-20% to be self sustainable, that might in the long term, actually secure the British Waterways network and I just wonder whether there is any percentage that has ever been looked at in a business plan, that might, might just secure your future going forward, without the need for Government spend and then you could become a charity.

A. Tony Hales, BW

That question was asked quite aggressively by a couple of ministers ago and the answer was :

A. Robin Evans, BW

If you look at our canals and we are the third largest owner of heritage property in the country, so even if you close a canal you still have to maintain all the listed structures, the

bridges, the locks, everything that is listed. There are also drainage channels so you have got to make sure, in a large number of cases, that the water flows in those drainage channels and many of the towpaths are public rights of way, so you have to keep those open and accessible and generally when we have looked at examples of closing canals for that sort of scenario, not that we are planning to, but just so that we understand, we find that actually you only save about 30-40% of the cost. So actually you don't save a huge amount per mile of the cost - you still are lumbered with it. Can I say that those sort of solutions are just not in our mind because I am absolutely with Tony in his quote from the General - we are about protecting and saving waterways. It is not about reducing them for and managing a smaller lot. We absolutely are about maintaining what we have got and where we can expand it. Can I just say, because I think there is some sort of idea that this is the only game in town and we are just sitting back hoping and crossing our fingers that some transfer into third sector will make everything ok. You know, we are about to start and we have already started work on our four year business plan. We do that every year, usually its for three years – this time its for four years, because that is how the Government spending round is going to come in. We will be working really hard to anticipate the sort of change that could be thrust upon us. Really hard to try and understand how we can maintain the expenditure on the network, going on the four years, with all different sorts of scenarios coming and hitting us from reduced commercial income, reduced Government income, increased commercial income and disasters and more breaches and all the rest of it. That's a huge planning exercise we do, so please don't think that we are not in any way gearing ourselves up to manage this business through a very very difficult time. It will be difficult and we will manage it and we will do that. This is about seeing beyond the short term. This is about trying to put the waterways on a basis which will sustain them for many years to come. So please don't think I am ignoring what's around the corner, what's going to happen next year, we are working on that. Please also don't think that we are not already able and willing to think about a longer term future because that is what is really important to me.

Q. Anne Pollard, Staffordshire and Worcestershire Canal Society

I am sorry Tony, I was disappointed to hear you state a minute ago that you didn't think it was your concern that money is being spent outside of this country, especially when we are in such great need of finances ourselves within the organisation. But going back to your original presentation and possibly to Mike as well, looking at the slides that he produced, I am just wondering, we talk about volunteers and I think it is brilliant and I think everybody needs to be encouraged. However there was an income stream on that one slide that was shown. How much are you going to expect volunteers to contribute? Also, if I noticed one and I might have misread it but I don't think I did, BTCV has the highest membership on numbers that you showed, but the least amount of income. So I am just wondering if you could explain what you expect the volunteers to contribute financially as well?

A. Mike Hudson, Compass Partnership

First of all, I don't think there is any assumption that volunteers would necessarily have to contribute. I think that what most other national charities do, they have some people who give their time, some people who prefer to give their money and some people who give both so there would be no requirements there. There is a huge variety of sort of amongst national organisations, some volunteers do give quite a lot of money and other volunteers give very little and that's just accepted the way it is. So I don't think there will be any requirement to do that.

I think the second thing which we have said to BW is raising substantial sums of money from the public is a long term investment. It is not something that you can put out on appeal tomorrow and expect to get a short payback on it. Its about building over the long term, a loyal group of people who are willing to give regularly, it's about investing in them, it's about reporting back to them, keeping them engaged and over long term, the sorts of figures you saw, I put up from other organisations are quite achievable. It's certainly not a quick fix and in my expectation, I think it would be, whilst BW can create the aura of the waterways as a

cause, we are passionate about it, we want to save them, protect them and move them forward, I suspect quite a lot of money would come in related to local waterways, rather than to national. I don't think people would be motivated to give to necessarily a big pot called "National Waterways", but if there was appeals for the local lock, for the local canal, for a new development or whatever it might be, I think that is much more likely to achieve the sort of results that you are likely to achieve.

The second thing I would say is that these needs are long term and that you can get donors to come in initially and that's a good start. They may then become people who give regularly in a standing order. They may then be people who buy your Christmas cards. They may then be people who buy other products and they may eventually, thinking of the line about the air side of earth, they may be people who finally give you a legacy. It takes a long time and its usually the organisations who will build up a diverse set of relationships with people and get the income in many different ways. Certainly not just from volunteers.

A. Tony Hales, BW

Just in case you thought I was being sort of flippant on my comment about overseas, my job is to argue passionately for the waterways and for the resources that the waterways should get. For all that it delivers to our society from flood relief, health, recreation, education and so on. We argue that with our Sponsoring Ministry, Defra, with the Minister and with the civil servants and they have been very good in going out to, and it is primarily them who does it, goes out to the other departments in Government and says "we must look at this as a whole and what programmes do British Waterways deliver?". It just isn't going to help our cause if I, as the British Waterways Chairman, start commenting on education and health, except in a positive sense, as to what we, the waterways, bring to all of those different things. If I have a view about anything on the subjects you were talking about and you can't assume whether it's positive or negative, that is for me to keep private because it won't actually help us in the waterways.

Q. David Wheeler, Withymoor Trust

Back again. Picking up on Anne's comments about income coming in from volunteers, I deal with RNLI, Macmillan Cancer Research and all of those and supply them with cards and whatever and I understand how their sales arms work. What you are proposing possibly for BW to pick up could well come in conflict with user groups. I mean IWA for instance have a massive sales arm and I would imagine almost every single Canal Society Trust or whatever also has sales arms. How do you envisage bringing those into the "tent" as you say, because doing it on your own, you going to have a huge conflict?

A. Mike Hudson, Compass Partnership

Other national organisations do face similar sorts of pressures and there is competition. There is competition both between organisations and its one of the fiercest areas of competition in the third sector, is between organisations for donors to get the marginal donor who decides not to give to RNLI or to Macmillan and to give a waterways cause, so I think the first thing is to recognise that there is always going to be competition.

The second thing is that national organisations do tend to come to some sort of settlement with their local counterparts and there is a wide variety of solutions out there, a wide variety of ways they move forward, none of which I suspect are ideal because you are always competing slightly for the marginal donor, but some organisations have an agreement with their sort of outfits in the field, if I can call it that, but they won't fundraise and do door to door fundraising in their areas. Some have an agreement that they will do it, but they will pass some of the money back to the local societies and some have free competition. So I think there is a range of solutions out there and at this point in time, I wouldn't want to pre-judge which sort of route was acceptable, but I, certainly in terms of the consultation, hear your point that it is an issue that ought to be on the list of issues to be thought about.

Q. Mike Stone, Grantham Canal Partnership

Many of us sat here last year and you heard impassioned pleas for recognition of volunteers and I am delighted to say from our society and I hope from others, that very rapidly, that change has occurred and there has been a 180° change as far as we are concerned in the acceptance of volunteers on waterways. The bit that concerns me looking forward is that we have been excellent, I think, the way you're running it, look towards 2020 and I am more than delighted to hear that it won't take until 2020 to achieve. We have, or you have I should say, at the moment the management of a difficult internal change. What I would like some assurance of is that the momentum that has been established in the last 12 months, won't disappear during these changes and take another 12-20 months to restore.

A. Robin Evans, BW

Thank you for your comments on volunteering. It is great to hear that you recognise a change and that's a tribute to a lot of great people in British Waterways who have really worked very hard over the last year. That momentum won't be lost. It won't be lost because the guy sitting on my left, who will require the momentum to be maintained and the whole Board will require it to be maintained, it won't be lost because we have ignited something which is smouldering and people will not let it go out. They want to understand they won't let it go and it won't go off the boil because I passionately believe we have to find the right solution and we have a window of opportunity and I know that's a cliché but I do think we are in a very interesting time over the next six months with all the changes that have been, and all the changes that are to come and I think it is imperative that British Waterways knows and understands where its destiny lies and is able to articulate that. I very, very much hope that when we do, we will have a wide body of support from all our stakeholder and supporter groups. So all the emphasis is to come up and maintain the momentum, increase the pace

because there is a lot of increase and I think we have an opportunity to do something really exciting for the long term future of the waterways.

Q. Clive Henderson, IWA

I am delighted that Dave Wheeler mentioned the fundraising aspect because it was too embarrassing perhaps for me to do it, but I would like to just sort of say in context this is a statement and I will come to the question in a moment. Clearly there is a danger of double counting. I think there are national sort of groups like ourselves that do rely upon sales and trading activities etc to raise funds towards waterway causes and equally, there are local ones and friends of the waterway like the Staffordshire and Worcester Canal Society that do their own local bit, adopting their local waterway. So I think it is important that we don't have double counting on the fundraising aspect but I think equally there is a whole untapped market out there – we can only get to a certain proportion of the public as it were or the converted public at the moment. I think the trick is going to be to convert far more of the unconverted into converted so that's where one source of funds and I applaud you that I don't think there is a danger we have double counting, but I was going to mention the "R" word, the "Restoration" word. The opening slides were very encouraging of the past achievements and new opportunities that have arisen on the waterways and as far as I am aware, probably the only big sort of photographs for the coming years are going to be the final opening of the Droitwich restoration and I think the Olympic legacy and I think, you know, that latter one is obviously exciting – we won't know until after 2012 what that is going to be, but there have been sort of recent histories of perhaps the Cotswolds and the problems you face there where restoration and expansion has not been written large in your objectives. You haven't mentioned it today as sort of perhaps something that could be there but I would like to encourage that the debate does go that way, as you open it up, is there a role for you in that field and if so, how is it going to be achieved and how is it going to be met? I know the history of the IWA says that every time there is a restoration opportunity, people will dig deep and remember you and fund you, but if it's ongoing maintenance, that is

much harder to fund, I know, but restoration is far more exciting – most people want an expanded and vibrant network.

A. Robin Evans, BW

I suppose one of the biggest things that frustrate me is that I have a label that I don't care about restoration and I just really resent that, and you and I talk about that a lot. Its not that. What I do take really responsibility for is our existing network. No one is going to thank me because if we go on to restore another 50 miles and the Mon & Brec fails and the Rochdale fails and the Staffs fails and I haven't got the money to repair them. So repairing and maintaining our existing is paramount. What I see about this new third sector organisation is we are united in a cause and it's the people who support and join in that organisation will determine what our priorities are and then we will have united front about what are the priorities, restoration and expansion of the waterways will always be part of this waterway movement. How much money, resource and time we put into it will be something as to be determined by the people who manage and run that and at the moment, if you may forgive me this little bit, I think there are people who have the privilege of wanting to restore more and develop, without the responsibility of looking after the existing. I want us all to be in the same "tent". We can all discuss that and we can come up with the right solution and I think that is the way forward. But we always have, always are and always will be passionate about increasing the amount of water space in this country.

A. Tony Hales, BW

I hope, you know, there are various societies and trusts that are working away. I mean we wish to morally support all of them in continuing to expand hopefully with so much of the lottery money has been going towards the 2012 Olympics, that when that is over, that there will be more lottery money once again available to support expansion of the waterways.

Q. Simon Robbins, National Association Boat Owners

I just wanted to develop something, I think it was Mike you mentioned when you last spoke, and this is about developing a culture of volunteering and donating for as part of the decision for the future. I would just like people to comment on what I see as a fundamental conflict of interests. On the one hand you have a British Waterways as a stewardship body. On the other hand you have British Waterways commercial activities. If you are serious about increasing volunteering and donating, do you need a clearer separation between those commercial and if you like, social activities than you have at the moment, because the fear must be particularly as has happened in the recent past, that money that is being raised is not going into the front end of the waterways – it is propping up “bad luck” shall we call it politely at Gloucester Quays or wherever else. How do you make that clear, because that is something you are going to have to sell to people, where is their money going if you want them to donate and volunteer?

A. Mike Hudson, Compass Partnership

A couple of things I would say to that, one is from a managerial point of view, it often makes sense to have some form of separation between very business orientated things because one needs people with business skills and acumen able to pursue them and one needs often a different set of skills in running the kind of charitable activities. That doesn't mean they can be completely separate, many organisations bring them together, they have contracts which use volunteers, contracts which are supported by fundraising and so on. So it doesn't need to be completely separate and lets remember in your question, that the purpose of business activity is that it may well to be further certain activities on the canals and waterways, but some of it the primary purpose may well be to raise the money in order to support the cause. So its not as if its in conflict with the fundraising and the third thing I would say would be if there is charitable money raised, then there is very clear requirements that the money is spent on the things it is raised for and the bloke on my right here who would confirm this, if it is raised for a particular restoration activity, it has under Charity Law to be spent on that and it cant be diverted into funding commercial activities.

A. Robin Evans, BW

A common misapprehension is that money from our property has subsidised, or we have used money from the network, to subsidise the property. That simply isn't true. We have two pots of money in the organisation. We have a property capital endowment dowry which we try and invest to create income which then feeds into waterway maintenance. None of the Government money, none of the waterway maintenance, our revenue streams, fund into the property. They are entirely separate and the losses that we have incurred this year have been entirely taken up and been funded from this capital endowment fund. It has not robbed the waterways of any money. It is very important, very important for us to ensure that that happens. We will not do these things if we felt that it was going to deteriorate and reduce the amount of money that we already have on the waterways.

Q. Richard Fairhurst, Waterways World

We have heard quite a lot of people today saying that they would like things to happen before 2020 and then later on might make an interesting point that people are more likely to give to their local waterways, that people are more likely to be motivated by that. Have you therefore thought about maybe having a pilot project – getting all of this started on perhaps Kennet & Avon, perhaps the Mon & Brec, perhaps the Rochdale?

A. Robin Evans, BW

If I can say yes I have and we are already in some discussions with some people and I would hope that will be able to make sure really rapid progress in some areas where there are clearly very capable organisations who could rapidly join with us, to experiment and pilot how we could engage differently and join our sources differently, so I think this is all part of the debate to join with others, experiment and as you say, have some pilots, so we are absolutely on to that.

Q. Geraint Coles, Chairman, Chesterfield Canal Partnership

As one of those with the privilege of restoring and trying to maintain a waterway, on behalf of a charitable trust and six local authorities, none of which want to see their Council Tax rise, exceed inflation, I can sympathise with everything you have talked about today in terms of generating income. Working with a lot of volunteers to achieve that end, has taught me that one of the key limitations, the sort of Liebig's Law of the Minimum as it were of volunteering, is the capacity of volunteers in terms of their training and their skills. The ability of larger organisations to recognise skilled basis which have been built up informally over many many years, so I would just enter a plea for creating a national training system which we can all buy into and we can all support.

A. Mike Hudson, Compass Partnership

Totally agree with that. Volunteering doesn't come free. It's an investment and it requires training and development and strategies and so on.

Q. Chris Coburn, IWA

Could I aim a question at Robin and Tony regarding the Waterways Trust that was established by British Waterways a number of years and is undertaking very successfully in some parts of the countr?. A lot of the activities along the same lines as is being suggested by 2020 and maybe you could make some comments on how you see the Trust working with British Waterways in that context.

A. Robin Evans, Chief Executive

I agree, I think the Waterways Trust has been doing some really good work and it is not something we want to stop at all. I think that we need to explore how we get a combined "whammy", two and two equals five. I think there are skills in the Waterways Trust, particularly in the way they run their museums and some of the volunteering work and the fundraising work that they have done which exceed our skills and we need to make sure that we work together to get the most benefit we possibly can. I think what I am trying to do is

create a British Waterways that looks and feels, you know, as good as any other third sector organisation as well as the Waterways Trust. I don't think that means that we have to subsume them together, I don't think it means the end for the Waterways Trust, but I do think it means that we have to really work together to find out how we can find our niches and optimise the take for the waterways. But I have lots of positive views about the Waterways Trust and this is nothing about, you know, if that's the underlying question, do we have somebody other future for the Waterways Trust, not at all.

Q. Vaughan Welch, IWA

A couple of questions. First of all, following on from the restoration wearing my restoration hat, I have been asked by one of my corporate members what is the Board's proposal to upgrade the Kennet & Avon Canal to a cruise way, particularly obviously interesting what Crystal Docks and Terry Kemp behind me, where a corporate member has asked me to ask you this today, and secondly I would like to go back to the Customer Safety Standards which you introduced last year. I am not going to mention the dreaded "B" word so you are alright. In the Customer Safety Standards, there are a couple of policies – one for putting ladders in locks and the second one, for safe access to and from by means of landing stages, above and below locks. I am aware of the locks on the River Severn, none of them have, as far as I am aware, any mobility access ladders and also, a very few or about half of the locks on the River Severn do not have landing stages above or below them. It is very difficult for people for get on and off boats at that location, particularly if they are perching craft around it.

Just to finish off and I would just like to go on step further and mention Rochdale Lock 83 at Manchester where somebody proposed to totally close off the towpath without putting any landing stages on, in respect of the infamous wall where people seemed to jump off the side when they drunk and go for a bath! I believe that there are proposals to put landing stages on that flight, but how can people get to and from those landing stages, equally the ones on the River Severn, in case of emergency where people may have heart attacks or other medical problems, where the emergency services need to get to them?

A. Nigel Johnson, BW Corporate services director

As to the Kennet & Avon, at the moment the cruise way status is secure until 2018 under the funding arrangements with the local authorities but we are keen to achieve formal statutory cruise way status for the 200th anniversary in 2010. There are some local issues that are having to be dealt with in terms of water resources and talk-stream issues etc, but I think, you know, we've got a good prospect that we will be able to get for the statutory cruise ways stages for it, for the 200th anniversary.

A. Vince Moran, BW Customer operations director

The river landing stages were, Customer Service Standards, always at the back end of our plan because we recognise that there are some bigger challenges there and some bigger costs, but we are committed to that, we have not given up on it and we are looking for the best solutions that we can apply, the most cost effective solutions and the most value solutions and we want to liaise with local people on that. So that is still in the standard and it will remain in the standard and we will deliver it.

In terms of Manchester, that is a really difficult issue in Manchester as some people will know and we are working with the local authority and with local groups to find a solution to a long standing problem. We have got to find a solution that recognises the boaters use through that because it is a canal and equally, we have got to find a solution that deals with the anti-social behaviour that is prevalent in that part of the world. So we are active on that, there is a lot of work going on and we will find a solution hopefully that satisfies everybody.

Q. Ivor Caplin, Birmingham Canal Navigation Society

Thank you, so some degree going back to the early debate – is there any advice that you can give those of us who are campaigning to, one message that we can give to politicians, because some of us are campaigning very hard and we will continue to do that up to the election, but given the perilous state of the national finances, prime services that are being

reduced and also some concern that if you are looking to move into the third sector, that this could be a nice easy excuse for politicians to say well, "off they go and no more funding". Is there one message that we can give to encourage the immediate funding into the waterways?

A. Robin Evans, BW

I think the best thing to constantly remind them is the £½bn worth of public benefit that the waterways deliver. Yes there is a huge concentration on cutting costs at the moment, but at the same time, they all say "but not cutting delivery" and it really is important to remind politicians that that £½ bn worth of public benefit comes in all sorts of ways from drainage to engagement, to health and fitness and that really for a very very small amount of money, for every pound they invested in British Waterways, they get £10 worth of benefit and that is a message that they need to understand and that really cutting us by margins that they are talking about, is not going to make a blind bit of difference to their problem and that this is a powerful group of people and a passionate group of people and that really they are best just ignoring us for the time being.

A. Tony Hales, BW

I couldn't agree with Robin more. I think I have nine ministers now and every time we go in to see a new minister, they start by thinking that the waterways are about the 30,000 boats and the 30,000 boaters on them and we have to explain the whole wider benefit to the community and then they get it, and then they become supporters. So with, I think, exercising your democratic rights when candidates, there are a going to be a whole new raft of MPs coming into Parliament and I think you are the vanguard of the movement in terms of asking delegates and prospective candidates, you know what is their attitude and educating them before they get to Parliament.

Q. Lin Ingley, Unison

One thing I think that we should be actually concentrating on is not just the main bodies of Parliament but actually Local Government because more often than not, we touch local authorities. You know we have so much anti-social behaviour in the Summer holidays that it scares people when they come to work, so I think one of the things that we should be looking at is actually expanding our education based activities into schools, more often where we can actually explain how much it costs for vandalism. How much it takes to put it right. How often you have to put it right. You know, do people know where their children are every day and every night during the holidays and what have they done and how are we going to re-build all that damage, because that kind of behaviour costs us a fortune. So we need to have stable business units that can actually contact local authorities that can give them a sustained view and its not going to change every three years by people's jobs changing or personnel changing through re-structures – we need to touch those local authorities and say “you need to help us and take responsibility for where this waterway goes through your area”.

Tony Hales, BW

Thank you very much, I think that is a really good moment just to end the formal session. We have gone on a long time today and I hope you think it's worth it, even if your lunch is cold and you are sitting there feeling uncomfortable. Sitting up here, it's been a really good session and, you know, we do want to really engage with this so write to us, email us, send us your concerns, send us what your advantages are, send us your views on the finance industry, your views on governance, let's get it all in. This is not a tight little clique that is trying to come up with a magic solution. This is about all of us working through something together which has got to be better than what we've got now, otherwise it is a waste of time, the whole process.

So enjoy lunch and thank you very much indeed all for coming.