

CONSERVATORS OF THE RIVER CAM

7. Matters for Decision

**Conservancy–Environment Agency Interchange Agreement
Details of the proposed new Agreement**

7.1 Purpose

The purpose of this paper is to inform Conservators on the detail of a new Interchange Agreement developed by the Conservators' Licensing Sub-Group and representatives of the Environment Agency (the Agency) Waterway team.

Subject to the approval of Conservators it is proposed that the new agreement will come into force on 1st April 2012.

7.2 Background

Conservators will be aware that the Agency gave notice to terminate the long standing Interchange Agreement on 30th September 2011. This was in line with the provisions of the Agreement, which required six months notice by either party to terminate the Agreement.

It followed that in the absence of a new Interchange Agreement, the owners of all powered craft based on the Conservancy controlled navigation would be required to purchase an annual Conservancy licence. If the owners of these craft wished to cruise Agency waters, they would be required to purchase an additional licence from the Agency, either a second full annual licence, or one of the visitor licences offered by the Agency.

In addition, the owners of Agency registered powered craft wishing to visit Cambridge would be required to purchase an annual licence from the Conservancy.

Given the implications of there being no Interchange Agreement to boat owners from both navigations, it is perhaps not surprising that owners have consistently argued the case for retaining an Interchange Agreement. This view was supported by feedback given by boat owners during the recent 'River Cam Navigation Benefits Assessment' consultation, and by comments from boat owners at a recent Agency/Conservancy consultation meeting held in Peterborough.

At the outset both Conservancy and the Agency were of the view that the current Interchange Agreement was outdated and did not provide a fair return for either navigation authority. In effect, the view was taken that boat owners had been the beneficiary of a very generous licensing arrangement for many years and this was at the expense of income to both navigation authorities. From a Conservancy perspective it was important that any new agreement would generate additional income to the Conservancy in line with the recommendations of the 'River Cam Navigation Benefits Assessment' report, whilst the Agency is under considerable pressure to maximise income from all sources following a reduction in Government Grant in Aid support for navigation.

It is against this background that the proposed new Interchange Agreement was developed.

7.3 The Proposed New Interchange Agreement

7.3.1 Overview

- All Conservancy based powered craft will be required to register with the Conservancy and purchase a Conservancy-Agency licence costing 110% of the relevant Agency tariff
- The Conservancy-Agency licence will allow open access to both waterways
- Income from the Conservancy-Agency licence will be apportioned 62%:38% in favour of the Conservancy (this is approximately equal to the current ratio for the allocation of income).
- The Agency will offer an Agency-Conservancy licence to its customers, again costing 110% of the relevant Agency tariff and will allow open access to both navigations. Income from the Agency-Conservancy licence will be apportioned 95%:5% in favour of the Agency.
- Agency based boat owners not wishing to cruise Conservancy waters will be able to purchase an Agency only licence, which would not allow access to Conservancy waters.
- In addition, the Conservancy will issue an annual visitor licence to the owners of Agency registered craft who did not opt to purchase an Agency-Conservancy licence at the beginning of the year. The annual visitor licence will be cost 15% of the relevant tariff. Any Agency-only registered vessel found on Conservancy waters without having bought an annual visitor licence will be obliged to buy the visitor licence at a cost of 25% of the relevant tariff.
- The new Interchange will be a three-year agreement but will be subject to annual review, and will include a termination clause.
- Subject to approval by Conservators, the proposed implementation date for the new Interchange Agreement will be 1 April 2012.

7.3.2 Estimated income from powered craft licensing under the proposed new Interchange Agreement

Table 1 – Estimated income from Conservancy based powered craft under the new Interchange Agreement

Total income from Conservancy based powered craft	Baseline 2011/12 Income under the existing Interchange Agreement	Estimated Income 2012/13 (110%+6.4%)	Estimated Income 2013/14 (+2%)*	Estimated Income 2014/15 (+2%)*	Estimated annual real term increase from 2011/12 baseline by 2014/15
Total Income	£113k	£132k	£134k	£137k	£19k
To CC (62%)	£70k	£82k	£83K	£85k	£12k
To EA (38%)	£43k	£50k	£51k	£52k	£7k

Table 2 – Estimated income to the Conservancy from powered craft licensing under the proposed new Interchange Agreement

Income accruing to the Conservancy from powered craft licensing	Baseline 2011/12 Income under the existing Interchange Agreement	Income 2012/13 from Conservancy based powered craft (110%+6.4%)	Income 2013/14 from Conservancy based powered craft (+2%)*	Income 2014/15 from Conservancy based powered craft (+2%)*	Annual increase in income from 2011/12 baseline by 2014/15, net of CPI
Income from Conservancy based craft	£70k	£82k	£83k	£85k	£12k
Income from visiting Craft**	£0k	£5k	£5K	£5k	£5k
Total	£70k	£87k	£88k	£90k	£17k

* income shown for 2013/14 and 2014/15 exclude CPI related increases, as these are not known at this time

** this income stream includes income from both Agency issued Agency-Conservancy licences and Conservancy issued visitor licences

7.4 Comments and Conclusions

The significant changes proposed under the new agreement are that all Conservancy based craft will be required to register with the Conservancy and, for the first time, visiting craft from Agency waters will be required to hold a visitor licence.

The benefits of this arrangement from a Conservancy perspective, in addition to the increased income noted above, will come from the better regulation of powered craft using our navigation. Under the existing Interchange Agreement we do not know (readily) which of the Agency registered craft using our navigation are Conservancy based and which are Agency based. This can cause difficulties and delays in licence enforcement. Under the proposed new agreement, many of these difficulties will be overcome as enforcement staff will know which craft are, and which craft are not, Conservancy based.

An important element in the development of the Heads of Terms for the new Interchange Agreement will be the definition of 'Conservancy Based Vessel'. With an agreed definition, it is envisaged that Conservancy and Agency enforcement staff will be able work together to formalise licensing arrangements for the small number of continuous cruising craft which currently use our waterways.

The proposed new agreement has the benefit of greater logic and clarity than is the case with the existing agreement, boat owners will be better informed as to which navigation authority benefits from their licence payments, and to what extent; a matter that is quite opaque under present arrangement.

Overall it is felt that the proposed new Interchange Agreement offers a fair deal to our customers, whilst recognising the need to increase income to both authorities from the owners of powered craft. It is felt that the income estimates given in tables 1 and 2 are reasonably robust, but they will need

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to be validated in the light of actual licence sales. To this end, Conservancy and Agency representatives will meet early in 2012/13 (probably May-June time), to review income figures.

As noted above, the proposed new Interchange Agreement will be for a period of 3 years to March 2015. Towards the end of this period the Government (Defra) has stated that it will determine the long term future for navigation in the Agency. It will be necessary to revisit the Interchange Agreement in the light of the Government decision.

The Conservators' Licensing Sub-Group is currently working with Agency representatives on the development of Heads of Terms for the new agreement. It is anticipated that these can be agreed and signed by late February 2012.

Conservators are invited to:

- **Comment on the proposed new Interchange Agreement**
- **Advise in the process for sign-off of the new Interchange Agreement**
- **Agree a way forward for adoption on 1st April 2012 on this matter**

January 2012

John Adams