

Pricing consultation Q&As

A joint response from Scottish Canals and Gerald Eve/GVA

1. How can you compare renting a property to living on a houseboat when you have to own a boat before you can live on it and are liable for all the maintenance?

Gerald Eve/GVA have looked at mooring rates in the UK and compared them to the cost of nearby rental properties in order to find the percentage ratio between the average cost of moorings and rental properties in that area. This has enabled them to create a percentage calculation which can be applied anywhere, including Scotland.

For example, in England and Wales, moorings rates cost an average of 47% of the monthly cost of renting a two-bedroom property in that location **and** this gives them a percentage ratio for setting prices elsewhere.

They have recommended that this percentage value is reduced to 40% north of the border in recognition of the fact there Scotland does not offer as many cruising miles and the market is younger. This provides a consistent framework for assessing the cost of moorings at each location which reflects the changes in property prices, desirability of an area at one location compared with another etc.

2. What type of two-bedroom flats were considered in the study?

Gerald Eve/GVA took an average price of as many privately rented flats that they could find as close as possible to each Scottish Canals' mooring location. However, this was not to make a direct comparison with a two-bedroom flat and a house boat, rather to find a way of benchmarking prices of existing moorings so that the same calculation could be used to set the price in Scotland.

3. What agencies were contacted in Scotland and England to establish the price of two-bedroom flats?

Gerald Eve/GVA reviewed Rightmove and Zoopla websites and where limited information was available, they spoke to local estate agents for advice.

4. How can you compare a 24-hour open public park with boats on it that has limited access to the sea with a marina?

Gerald Eve/GVA looked at a number of comparisons and variables in order to identify a fair and consistent pricing methodology and reviewed many different methodologies. They also consulted boaters for their ideas on how to assess pricing in an equitable, consistent and transparent way and when limited feedback was forthcoming about the type of methodology to use, they had to design their own. It was their decision to consider the cost of renting a two-bedroom property as a comparator in order to produce a percentage that can be applied to set the cost of residential moorings.

It was also their decision to consider the cost of marinas – among a number of other variables - when identifying a mechanism for pricing leisure moorings.

5. Were Gerald Eve/GVA given details of the prices paid by the boaters at the moment of the review and not just the prices that they were expected to pay before they were frozen?

Scottish Canals provided Gerald Eve/GVA with information on all prices that leisure and residential mooring customers pay at each location, as well as historical pricing for locations over the years. It was up to Gerald Eve/GVA how they used this information to design a fair, consistent and equitable methodology for setting and reviewing prices. By adopting a ratio approach as outlined above, Gerald Eve did not use the pricing information provided to assess market value, but rather adopted the ratio approach to set a new value. Clearly some customers will not be happy with the outcome as their fees will increase while others will see prices fall. However, this is unavoidable if Scottish Canals is to resolve historic discrepancies and anomalies in pricing across the canal network.

6. Why are some of the actual rates which customers pay not reflected in the Gerald Eve/GVA report?

Given that many customers pay very different rates in each location for the same product as their neighbour, there is a discrepancy in pricing in many locations which is a result of historic agreements over many years. As stated above, Gerald Eve did not use this information directly to set the market pricing, but adopted the ratio approach to create a mechanism for setting and reviewing prices. This is what they have detailed in their recommendations. As such, they did not need to set out every charge at each location. Instead, Gerald Eve did choose to refer to recent market mooring evidence as one of the comparators. Scottish Canals is keenly aware of the price discrepancies at each location, meaning that some customers pay significantly more than their neighbour for a mooring at the same location with the same facilities. We did not believe this was fair, reasonable or transparent and that is what this pricing review hopes to address.

7. Why should customers face increases in prices which they did not agree to at the time of joining the canal?

Scottish Canals commissioned this independent pricing review as a direct response to some customers who told us they were unhappy with price changes that were introduced in 2015 to address significant anomalies which saw some people paying more than their neighbours for the same product and service. These customers were made up of boaters who had been moored on the canal for many years as well as those who had just become customers.

To be fair, transparent and equitable, it is only right that pricing is standardised for everyone and Gerald Eve/GVA were tasked with designing a pricing methodology to do just that. When the independent pricing review was launched, we explained that some customers would benefit while others would not but that we would all need to accept its outcome.

8. As Scottish Canals manages all the moorings on Scotland's canals, what should existing customers do if they don't accept the prices proposed by Gerald Eve/GVA?

We have said publicly that we will adopt the recommendations set out in Gerald Eve/GVA's independent report and implement them according to the outcome of the consultation. This is the right thing to do if we are to ensure that the mooring and licence charges for these valuable public assets, which benefit many people in Scotland and not just those who use it for boating, are fair, reasonable and transparent.

The independent report recommends phasing price changes in over up to five years so that it is affordable and provides customers with long term certainty. However, if any residential boater can demonstrate hardship using council tax relief or housing benefit discount, they can appeal the price changes via our appeals process. Furthermore, all ideas raised during

the consultation will be considered. We believe this demonstrates that we are doing what we can to support our existing customers through this period of change.

9. Can this report really be independent if it was commissioned by Scottish Canals?

Gerald Eve/GVA are respected and professional organisations which were commissioned to carry out a specific task. It was up to them to determine a fair, transparent and consistent methodology, which they have done, and determine how they went about meeting that challenge. Given that they are independent of the canals, our customers and Scottish Canals as an organisation, they required payment in order to carry the work out.

As we have always said, given the complex nature of pricing on Scotland's canals and historic anomalies that have arisen over many years, some customers will benefit while others will not and therefore it is not surprising that some people are unhappy about some of Gerald Eve/GVA's recommendations.

10. Will Scottish Canals agree to an intermediary negotiating a suitable conclusion to the pricing structure that for mooring and licence fees on Scotland's canals?

No. As Gerald Eve and GVA, working with British Marine and RYA Scotland, have already carried out an independent review and consulted our boating customers, visited each mooring site and designed a methodology which is independent of both boaters and Scottish Canals, it would not be an appropriate use of public money or resources to conduct a further independent report. To date, £19k and 250 staff hours have been spent ensuring that the Gerald Eve/GVA review and subsequent consultation went ahead because this is what some of our customers asked for. We have communicated with customers and partners throughout this process in a fair and transparent manner, writing to them throughout, publicising updates on our website and channelling information via British Marine and RYA Scotland to their members.

11. Why should the same percentage of renting a property be applied to Scotland that is applied to England when the boating product is not the same quality as down south (e.g. a boater in England has thousands of miles of cruising, more facilities than are available in Scotland)?

The fact that Gerald Eve/GVA have discounted the percentage cost of a mooring compared to a two-bedroom flat from 47% in England and Wales to 40% in Scotland recognises that the canal offering in Scotland is not the same. While there are not the same number of cruising miles and the market is not as established in Scotland, we do provide facilities that are equivalent, if not better, than many found south of the border. In addition, boaters can visit world class destinations in Scotland such as The Falkirk Wheel and the Kelpies, can take advantage of the assisted passage across all our canals and have access to some of the world's best cruising waters.

Furthermore, as the percentage is pegged to rental prices, which vary from location to location, again this methodology means that some prices, where rental property is cheaper, mooring rates will also be lower.

12. If a direct comparison is being made of the boating product in England and Scotland, why don't you reduce the percentage in Scotland to a more suitable level?

Defining a 'suitable level' is subjective. The main purpose of this report was to identify a consistent pricing mechanism that meant all customers could be treated equally and charged fairly in an open and transparent manner. In order to get away from the anomalous, unfair pricing agreements which have arisen over many years, this

independent review set out to consider the pricing structure in England and Wales, comparator charges, facilities in each location, local rental costs, customer satisfaction as well as mooring prices that had been achieved in the open market in order to identify a pricing methodology for future use. This process was not going to meet everyone's expectations as it is complex and would ultimately impact upon some customers more than others.

However, it is worth noting that overall the prices identified by Gerald Eve report recognise the prices which Scottish Canals achieved in the open market over the last 12/24 months were broadly correct. By phasing these charges in over a three or five-year period (to be decided via the consultation), Scottish Canals can help to minimise the impact on customers while those boaters who genuinely can't afford the recommended fees can lodge an appeal if they can demonstrate hardship using recognised means.

13. Has Scottish Canals considered the impact on boating customers of the price changes recommended in Gerald Eve/GVA's report or simply considered how best to make a profit?

This review was never going to please everyone as it recommends that some prices should go up while others go down. The purpose of this independent review was not to raise funds, but to provide clear, fair and equitable charging across the network for all our boating customers. We do not believe it is acceptable for one boater to pay significantly less than someone else for the same mooring and facilities at the same location – particularly when these moorings are publicly owned. Once adopted, these recommendations will also allow boaters and Scottish Canals to be clear on future price changes, giving boaters certainty over pricing for the future.

14. What stops Scottish Canals from increasing the rent annually, using the maximum 5% RPI figure presented in Gerald Eve/GVA's report?

The 5% is a recommended upper cap which will protect boaters. Under Gerald Eve/GVA's recommendations, if RPI in any given year is less than 2%, Scottish Canals would apply a 2% increase. If RPI is between 2-5% then that will be the percentage which Scottish Canals applies. If the RPI rate is above 5%, Scottish Canals will not be able to apply more than a 5% charge.

15. How can the use of RPI to calculate increases be fair given the current economic situation when both inflation and the consumer price index are both low?

RPI is a recognised economic indicator which is used widely across the market and is indicative of inflation.