

Port of London Authority – Summary Paper

Formula for Calculating River Works Licence Fee for Residential Use (Houseboats)

After two years of detailed examination, the PLA received a Final Recommendations Report from independent consultants on the methodology to be used to determine river works licence fees for houseboat moorings on the Thames. The Report in full is available on PLA's website: www.pla.co.uk

The Consultants examined thirteen possible approaches to determining a charging method. They recommended that the PLA's licence fee should be "a share of the net mooring revenue. Where mooring fees are not charged or not market based, a notional fee is applied." Their justification for the approach is set out on page 26 of the report as follows:

"This approach provides a clear formula with adjustments for local circumstances. Being based on open market evidence (published commercial mooring fees) it is easily monitored and validated. The approach is equally applicable to all licensees, despite the great variety of mooring arrangements.

It conforms to the legal opinion, which states that, when assessing best consideration, the prime comparators would be mooring fees for houseboat moorings in the locality.

It concurs with suggestions from a number of licensees during consultations in 2010 and in 2006, and is similar to established industry practice among some of the main UK navigation/port authorities."

The consultants recommended that the PLA should receive 30% of actual net or notional net annual mooring revenues. Following discussions with representatives of houseboat occupiers, the PLA will reduce this percentage to 25% of the net figure.

On page 29 of the Report, the consultants set out the key factors to be applied in using this formula. These are:

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1. Where competitively priced mooring fees are charged by a licensee, the **actual** annual mooring revenue is used.
2. Where mooring fees are not charged, or charged but not competitively priced, **notional** annual mooring revenue is used.
3. Large multi-tenanted houseboats derive value from **letting/room rental** which is considered as the revenue.

The deduction for costs is 15% in 1 and 2 above, and subject to individual assessment for 3.

A notional London-wide gross mooring fee is derived from a range of competitively priced residential mooring sites across London.

This is adjusted using location and site-specific factors for each site, plus boat widths."

Each of the elements of the formula is considered below:

The Annual Mooring Fee

Where mooring fees are set on a commercial basis by mooring providers determining the annual fee should be relatively straight forward – (See page 31).

Where annual mooring fees are not charged, or not set on a commercial basis, it will be necessary to determine a notional mooring fee. It is proposed that this will be derived from a 'basket' of competitively priced waterways across London, plus, the decapitalised sale price of moorings, where known. Based on this approach the consultants determined a 'notional' gross fee of £326 p.a. ex VAT per metre per year (see page 34).

This notional fee is adjusted to take account of the location of the mooring. Ten 'location' factors have been derived as set out in the table on page 36 of the report ranging from 1.85 in Chelsea to 0.72 in Isleworth.

In a small number of cases, site specific factors will be relevant and will need to be determined on an individual basis. Excessive noise from railway bridges may affect some boats, for example:

Adjustments will also be made for boat width in certain cases, (see page 40). Where a boat is less than 2.4m wide, there will be a 33% deduction from the notional mooring fee. This will be reduced on a graduated basis for the small number of boats between 2.4m and 3m wide. For boats over 5m the notional annual mooring fee will be increased by a factor of 0.02 for each 0.1 metre over 5m. The reason for this is that the London-wide fees used to derive the notional annual mooring fee are based on boats up to 5m wide. Clearly, a mooring has greater value if a boat wider than 5m is moored to it.

Finally, an adjustment is made for the maintenance costs of the mooring, not the boat. This will be 15% of the gross mooring revenue. It is well above the 11% average derived from the cost information provided to the consultants. (See page 42).

As explained above, while the consultants recommended that the PLA should receive 30% (originally 33%) of the sum derived after these adjustments, following discussions the PLA is prepared to reduce this to 25%.

Hypothetical worked examples, based on 30% are on page 47 of the consultants' report.

A simple example, based on the PLA receiving 25%, for a vessel 4m wide and 20m long in an area where the location factor is 1.02 is as follows:

London-wide Notional gross mooring fee	£ 326.00 p. m.
Location factor 1.02, therefore, notional fee	£ 332.50 p. m.
No width adjustment	
Gross fee for a boat 20m long: £332.50 x 20	£6,650.00
Less costs: £326 x 15% x 20	(£ 978.00)
Net notional Mooring fee	£5,672.00
PLA's share @ 25%	<u>£1,418.00</u>

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