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## 7.0 **POTENTIAL BENEFITS FROM RESTORATION**

### 7.1 **Introduction**

The restoration of the St Helens Canal is likely to bring a number of economic, social and environmental benefits to the area. Although social and environmental benefits can be equally as important as the economic benefits, they are difficult to quantify and, therefore, emphasis is usually placed on monetary and employment values.

Not all benefits from the restoration of the St Helens Canal are likely to be visible immediately following restoration. The initial benefits may be very limited with the majority realised as activity on, alongside and adjacent to the canal increases. For this reason, this report considers the potential benefits as those likely to exist ten years after restoration is completed. This allows for and takes consideration of phased development, where full benefits may not be achieved until immediately prior to the ten year anniversary.

#### **Construction Phase**

During restoration of the canal, over the initial 10 year phased programme, the expenditure on construction would provide inputs to the local economy and generate both direct and indirect employment opportunities.

#### **Post Restoration**

Quantifiable benefits, in terms of economic and employment benefits resulting from restoration would arise under four headings:

- formal uses of the canal - water based activities
- informal uses of the canal - land based activities
- canal-side development opportunities
- canal operation and maintenance

In addition, there would be unquantifiable benefits which, although not generating a direct or even indirect revenue, would add to the general quality of life for local residents. These would include;

- visual improvements to the landscape
- opportunities for nature conservation
- educational opportunities in local history and industrial archaeology
- improved network of footpaths
- opportunities for developing cycle routes
- informal recreational facilities

Some of these could be considered to be as important as those capable of generating direct economic/employment benefits and, as a result, their value to the local community should be assessed.

## 7.2 Construction Phase

The expenditure associated with the restoration of the canal would have positive economic benefits for the local economy and the wider regional economy.

The reconstruction of the canal would generate employment opportunities in the area in terms of direct employment on the actual construction of the canal and indirect employment resulting from the purchase of goods and services from suppliers.

### 7.2.1 Local Spending

As discussed in Section 6.0 the cost of restoring the canal to full navigable standards has been estimated to be £41.38 million.

Table 7.1 shows a breakdown of this estimated cost under the headings of canal track, structures, services, flood alleviation and water supply. Table 7.2 shows a further breakdown of the estimated cost into labour, plant, materials and other costs and illustrates the spending this is likely to generate in the local economy.

Breakdown of Estimated Cost of Restoration					
	Canal Track	Structures	Services	Flood Alleviation	Water Supply
Labour	£ 8,634,056	4,955,085	1,984,330	263,776	61,352
Plant	£ 8,634,056	1,651,695	1,488,247	193,435	69,021
Materials	£ 1,233,437	3,853,955	992,165	128,957	15,338
Other	£ 6,167,183	550,565	496,082	-	7,669
<b>TOTAL</b>	<b>£ 24,668,730</b>	<b>11,011,299</b>	<b>4,960,824</b>	<b>586,168</b>	<b>153,380</b>
<b>% TOTAL COST</b>	<b>60%</b>	<b>27%</b>	<b>12%</b>	<b>1%</b>	<b>0.4%</b>

Table 7.1

Breakdown of Estimated Cost of Restoration				
	Cost	% of Total	% in local economy	Spend in local economy
Labour	£15,898,597	38	90	£14,308,738
Plant	£12,036,454	29	95	£11,434,631
Materials	£6,223,851	15	50	£3,111,925
Other	£7,221,499	17	15	£1,083,225
<b>TOTAL</b>	<b>£41,380,401</b>	<b>100</b>		<b>£29,938,519</b>

Table 7.2

### 7.2.2 Direct Employment

The restoration of the St Helens Canal, a major civil engineering project, would be fairly labour intensive. From experience on other canal restoration projects, it is anticipated that 14.2 job years would be generated per £1,000,000 of the total cost of the project. On this basis, 588 direct job years would be created.

However, of the total direct job years, a proportion of employment would come from outside the local area and outside the North West region, particularly for certain specialist skills. Nevertheless, the Merseyside Industrial and Economic Area has a high proportion of skilled and semiskilled construction workers suitable for this type of employment. With this considered, it is anticipated that approximately 90% of direct employment would be from the local area. Of the remaining 10%, at least half

is expected to come from the North West region with the balance from outside the region. Table 7.3 shows the direct full time equivalent (FTE) job years generated through the construction of the restored canal.

### 7.2.3 Indirect Employment

The level of indirect employment is dependent on the ability to acquire plant, materials and other items within the local area. If these goods are not available in Merseyside or the North West region, it would result in indirect employment outside the region. It is anticipated that 95% of plant, 50% of materials and 15% of the other items would be available from within the local area. Although sourcing of materials would be subject to commercial tendering, it is expected that if not available locally, most materials including concrete box culverts, lock gates and paddle gear could be obtained within the North West region. However, some items such as HDPE lining, may have to be obtained from specialist suppliers/contractors from outside the region.

As with direct employment, 14.2 job years of indirect employment can be expected to be generated per £1,000,000 but calculated on the total cost of the project excluding labour costs (ie plant, material and other costs). This equates to 8.8 jobs per £1,000,000 based on the total cost of the project (£41.38 million). 50% of indirect jobs are expected in the local area, 35% in the region and 15% outside the area. This is illustrated in Table 7.3.

Employment Generated by Construction	%	FTE Job Years
<b>Direct Employment</b>		
Jobs generated per £1,000,000		14.2
Total direct job years		588
Direct jobs within local area	90	529
Direct jobs within region	5	29
Direct jobs outside area	5	29
<b>Indirect Employment</b>		
Jobs generated per £1,000,000		14.2
Total indirect job years		362
Indirect jobs within local area	50	181
Indirect jobs within region	35	127
Indirect jobs outside area	15	54
<b>Total Local Direct and Indirect Full Time Equivalent Jobs</b>		<b>710</b>
Local multiplier (typical value)		1.2
Additional jobs from multiplier effect		142
<b>Total FTE job years in the local area</b>		<b>852</b>
<b>Total FTE job years in the region</b>		<b>156</b>
<b>Total FTE job years outside the area</b>		<b>83</b>

Table 7.3

### 7.3 Formal Uses of the Canal

The formal uses, i.e water based recreation, are capable of generating a significant level of income through:

- weekly boat hire
- short break boat hire
- day boat hire
- trip boat/water bus
- private boats
- angling
- canoeing

### 7.3.1 Weekly Boat Hire

There is no doubt that the number of domestic holidays of more than four days has reduced significantly in the last decade. In 1984, 43% of 4+ night holidays taken by British adults were at destinations around Great Britain. In 1994, however, this had reduced to 35% while holidays abroad taken by this group went from 24% to 35% during the same period.

In terms of spending by the British (adults and children) on domestic holidays of 4+ nights, this increased by 55% between 1984 and 1994 while spending by the British on holidays abroad increased by 172%.

The main reasons for this change has been a rise in discretionary income, particularly for the higher socio-economic groups, the evolution of tour operating systems with the ability to offer affordable products and the ease and desire to travel abroad to new destinations.

Nevertheless, accompanying the trend of reduced domestic long/main holidays has been a significant increase in the short break and additional holiday market. The additional holiday market could be important to boat hire operators on the St Helens Canal. Although there would be little demand for a cruising holiday over one week, in view of the short, isolated nature of the canal, weekly holidays could be promoted in terms of "what to see and do along the canal", where holidays would combine the navigation with the attractions en-route.

Baltimore boats, for example, promote the Rochdale Canal on the basis of the places to visit along the route. This encourages holiday makers to opt for a leisurely one week holiday with numerous stops at specific places of interest during their cruise including country parks, villages of historical interest, museums, heritage trails and other visitor attractions.

Anglo Welsh also advertise the Montgomery Canal in this way. The canal is promoted in a unique fashion, in comparison with the other cruising routes in the Anglo Welsh brochure, with great detail given on places of interest along the canal.

### 7.3.2 Short Break Boat Hire

It is considered that the short break boat hire market would provide greater opportunities. Although this market does not compensate for the decline in the domestic long holiday market, it is envisaged that there will be continued growth in

this sector. This is particularly due to those factors which have resulted in a decline in long domestic holidays, the increase in the number of paid holidays allocated to employees, the trend of adding single days to a weekend to take a short holiday away from home, which in turn is mainly due to the increase in urbanisation and the need to "escape". This is demonstrated by the high level of short breaks taken by residents in urban areas, in comparison to those in rural areas.

The idea of short break boat hire has emerged on a number of other canals, particularly those which are also of an isolated nature, and has proved a success. Such canals include the Chelmer and Blackwater Navigation (Blackwater Boats), the Medway Navigation (Tovil Bridge Marina), the Rochdale Canal (Shire Cruisers and Baltimore Boats), the Montgomery Canal (Anglo Welsh) and the Lancaster Canal (four hire boat operators, some of which offer one way cruises). This market is likely to be of major importance to the canal and its associated facilities.

National statistics demonstrate that, within the national cruising network of approximately 1,450 miles of canal and river, there are in the region of 1,600 hire boats licensed on the water, i.e a national average of 1.1 boat per mile. However, it would be unrealistic to apply this formula to the St Helens Canal (the 15 mile canal would equate to 16.5 hire boats) due to its isolated nature. With this in mind it is estimated that the canal, still of a reasonable length to attract weekly/short break hire, could sustain a quarter of the national average. This would equate to 4 to 5 boats specialising in a combination of one week holidays, with the emphasis on "the canal as an attraction", and on short breaks.

It has been assumed, for the purpose of this report, that these boats will operate for 20 weeks per year, including a mixture of full and short break hire. This represents a conservative approach to the length of the boat hire operating period which, on the more popular canals, can be 30 weeks and tends to average around 25 weeks per year.

The economic benefit from these activities would be in two forms: the income from the hire of the boats and the expenditure of holidaymakers on goods, facilities and activities en route. It has been identified that current boat hire facilities on isolated canals cost in the region of 12% less than those on the national network. This is largely a result of lower overheads in comparison with operators on the national waterways network and, as such, charging lower prices does not necessarily indicate a reduction in profit. On isolated canals, licensing costs for boats is usually considerably lower and canalside land and buildings usually have lower rental/value. Current boat hire operators on isolated canals also have a tendency to have older

stock but this is unlikely to be the case on the St Helens Canal, where an operator would be likely to start with new/nearly new boats. An average charge of £515 for weekly boat hire has been assumed. An additional £10 to £20 over and above 50% of the cost of weekly hire is assumed for short break hire. This has been taken into consideration in the above figure. From experience of other canals, with adjustments related to the local area, it is estimated that there will be an average of 4.1 holidaymakers per boat each spending an average of £50 per week.

Summary of Spending by Hire Boat Activity	
No. of Hire Boats	4
No. of Hires per Boat per Year	20/Week 40/½Week
Average Cost of Holiday Hire	£515
Average No. of Holidaymakers per Boat	4.1
Average Spend per Holidaymaker per Week	£50
Average Spend per Boat per Week	£205
<b>TOTAL SPEND FROM BOAT HIRE</b>	<b>£41,200</b>
<b>TOTAL SPEND BY HOLIDAYMAKERS</b>	<b>£16,400</b>
<b>TOTAL SPEND</b>	<b>£57,600</b>

Table 7.4

The total income from hire boat activity is estimated to be in the region of £57,600. This equates to £14,400 spend per boat per year. Due to the isolated nature of the canal, it can be assumed that the majority, if not all this spending will occur in the local area.

### 7.3.3 Day Boat Hire

Recent years have shown a significant increase in the demand for day/half day hire craft. It is now perceived as "a good day out" for all the family, even those with no previous boating experience.

The short, isolated nature of the St Helens Canal would, in this instance, have no effect on the day hire market as even the most energetic would not be capable of cruising from one end of the canal to the other and back in a day.



Whereas the two boat hire markets discussed previously would be interested in activities along the route, the day hire market would mainly be interested in the cruise itself and the immediate surroundings. It is unlikely that a 3 to 7 hour boat hire would be taken up with lengthy stops en-route to visitor attractions but short stops may be made at public houses.

The St Helens Canal would be particularly attractive to day hirers in comparison with some of the other canals in the national network. On some canals with water shortages, additional licence fees are often charged for the use of locks and this can make the operation of a day hire boat prohibitively expensive. However, on the St Helens Canal, with an adequate water supply under normal conditions, the use of locks is unlikely to be restricted for day hire boats. The canal would also be attractive to day hirers because of its short and compact nature, offering variety on a single journey: a town centre, industrial areas, countryside, historic structures, country parks and alongside the Mersey Estuary.

It is feasible that the St Helens Canal could accommodate two hire companies operating in the region of five boats in total and in use 100 days per year. Three of the five boats could be located at Spike Island with another two elsewhere, perhaps along the central section of the canal.

It is estimated, that the proportion of day-hire to half day hire would be in the region of 2:1, i.e for each full day hire booking, there would be one half day hire booking. With a day hire charge of £50 and a half day hire charge of £30 this would produce an annual revenue of approximately £26,700 (for five boats). In addition, assuming an average spend of £3.70 per person participating in day boat hire, a total of £7,585 additional spending would be likely.

Summary of Spending on Day Boat Activity	
Spend on Day Hire	£26,700
Other Spending	£7,585
<b>TOTAL SPEND</b>	<b>£34,285</b>

**Table 7.5**

#### 7.3.4 Trip Boat/Restaurant Boat/Waterbus

The trip boat market expanded over a period of years to stabilise in the mid 1980's to a point where most waterside towns with a number of visitors now have a trip boat on the local canal. Like day hire boats, trip boats will also be unaffected by the short, isolated nature of the canal. Sited in populated areas on the canal and where there is a level length of canal for two to three hours return cruise (locks are a problem for such operations although the odd one can add interest) they can provide scheduled and/or chartered services on the canal of various lengths. A restaurant boat could be provided in addition to or as part of the service. The nature of the St Helens Canal, which was designed for estuarial barges rather than inland craft, would allow for a larger, more comfortable restaurant boat than provided on other, narrower canals.

An alternative type of trip boat is the "waterbus", travelling between two points of interest and usually run by a local boatyard or the local authority. The most famous waterbus is that through London Zoo to Camden Lock on the Regents Canal, while others operate near Bradford on the Leeds and Liverpool canal, in Central Birmingham and at Stratford-on-Avon.

Trip boats have, in the past, been provided on the St Helens Canal for example during the "Sailing the Sankey" festival and proved highly successful.

It is possible that the St Helens Canal could be capable of sustaining two trip boat operators along its length. The long level pound from Widnes to Bewsey would be very attractive to trip boat operators, particularly with attractions at each end, ie Spike Island and Bewsey Hall.

The St Helens end of the canal would also lend itself to a trip boat from "The Hotties" to Old Double Lock, at the start of the Blackbrook Branch and the proposed canalside walk. This could take the form of a waterbus allowing a stay for an hour or two at either end. The New Double locks would add interest rather than being a nuisance and provide a travel time of approximately 45 minutes.

It has been assumed that approximately 3,000 passengers would be carried per boat, per year, operating for 100 days per year. Assuming two trips per day, an average of 15 visitors per trip and an average charge of £2.50, this would yield £7,500 per boat per year, a total of £15,000.

It is assumed that these visitors would also spend elsewhere in the area, although only 66% are likely to have visited the area for the sole purpose of using the trip boat. Therefore, with an average spend of £3.70 per person, a total of £14,652 per year is expected.

Summary of Spending by Trip Boat Activity	
Spend on Trip Boat	£15,000
Other Spending	£14,652
<b>TOTAL SPEND</b>	<b>£29,652</b>

Table 7.6

### 7.3.5 Private Boats

At present, despite the current state of the St Helens Canal, there are a number of private boats moored at Fiddlers Ferry and Spike Island. These boats tend to be seagoing craft and exit the St Helens Canal to the River Mersey and then cruise in the estuary or travel to coastal waters. Restoration of the canal would increase the attractiveness of the current moorings through environmental enhancements and through the improved options for estuary cruising resulting from having alternative entry and exit points to the River Mersey. The potential benefits arising from increased use of the existing marinas have not been costed for this report but it is understood that Halton and Warrington Borough Councils have made some preliminary estimates of their own.

It is estimated that the restoration of the St Helens Canal would provide an additional 50 moorings for private inland waterway craft, either within a marina, perhaps at the old Sankey Sugar works, or in a linear fashion at several locations along the canal's length. "Waterways World" calculate the average expenditure on the maintenance of private boats as £1,771.18. It has been assumed that the number of boats moored on the St Helens Canal would be slightly below the national average, as a result of the isolated nature of the canal. The lower local demand and generally lower prices in the area would tend to result in lower maintenance costs. A figure of £1,500 has been assumed, therefore, as the annual cost of maintenance; resulting in a total of £75,000 per annum.

As an isolated canal, the level of private boat activity is likely to be limited. A number of the craft currently moored at Fiddlers Ferry and Spike Island would be

unable to cruise on the canal owing to their size and some may be used for commercial purposes and would have no or little interest in cruising the St Helens Canal.

The British Waterways East Midlands Boating Survey revealed that the average private boats made 7.2 trips per year with an average trip lasting 6.35 days. Obviously, it is unlikely that a private boat would spend this length of time, 45.72 days, on an isolated canal. It is estimated that private boats on the St Helens Canal may make the national average of 7.2 trips per year but with the average trip lasting 2 days. Assuming that the 50 additional boats take 14.4 days on the canal, a total of 720 private boat days would be spent on the canal. Although a proportion of these additional private boats on the canal may not spend the full 14.4 days on the canal, this would be cancelled out by boats currently moored at Fiddlers Ferry and Spike Island and by other boats visiting the canal, which are not included in these calculations.

In terms of spending by boat owners on their trip, this is assumed to be less than visitors on holiday who are more likely to spend on souvenirs, visiting attractions and other facilities. Spending by private boat owners is expected to be in the region of £31.80 per day per boat, a total spend of £22,896.

It is also likely that owners of private boats moored on the canal are likely to make visits to their boats without taking a trip on the canal. Previous surveys, for example, on the Lancaster Canal, another isolated waterway, identified an average of 16 visits to private boats per year. A daily spend of £4.45 is expected and, hence, a total spending of £3,560 per year.

Summary of Spending by Private Boat Activity	
Annual Main	£75,000
Spend Local Cruising	£22,896
Spend on Day Visits to Boats	£3,560
<b>TOTAL SPEND</b>	<b>£101,456</b>

Table 7.7

### 7.3.6 Angling

Sections of the St Helens Canal are already popular for coarse fishing particularly south of Bewsey Lock and around Hey and Bradley Locks. It is expected that, by increasing the length of canal available and the depth of water, restoration would attract many more anglers to the canal.

The experience of the Kennet and Avon Canal has been used as a guide to the likely increase in angling activity. Prior to its restoration, the Kennet and Avon Canal provided angling on a number of isolated sections, similar to the present situation on the St Helens Canal.

It is estimated that there would be a total of 29,483 angling visits to the St Helens Canal each year, calculated on using the basis of the Kennet and Avon figures for anglers per mile. This is a conservative estimate considering the major centres of population around the St Helens Canal in comparison with the Kennet and Avon hinterland.

Again on the basis of the Kennet and Avon figures, it is calculated that 29% of these visits would be made by those attracted due to the restoration of the canal, i.e. representing the increase in angling directly resulting from the canal restoration. Assuming an average spend per angler of £3.81, including travel and licence fees, the total expenditure is likely to be in the region of £32,576.

### 7.3.7 Canoeing

The restored canal would also offer opportunities for unpowered boating, particularly canoeing, in view of the general lack of facilities for this activity in the immediate area. This is due to the unsuitable nature of local rivers, including the Sankey Brook, the River Mersey and the Manchester Ship Canal for canoeing.

It is understood that the British Canoe Union pay a fee to British Waterways to allow their members to use those waterways under the control of BW without further change. Other canoeists have to pay for the use of the waterways and a similar arrangement could be made for the restored St Helens Canal. Local spending by canoeists tends to be low.

The canal would provide a good recreational facility for the local community and canoeing could be organised through local Scout Groups, Guide Associations, activity clubs and societies. However, because activity levels are likely to be low, acceptable

fees low, unauthorised use difficult to police and local spend very low, the income from canoeing has been assumed to be negligible for the purposes of this report.

#### 7.4 Informal Uses

There is a great opportunity for informal uses, i.e land based recreation, along the route of the St Helens Canal. Recreational activities would include:

- walking
- cycling
- horse riding
- "gongoozlers"
- other informal uses

The greater part of the canal corridor lies within the Sankey Valley Park. In recent years there has been a significant increase in visits to country parks and similar attractions in comparison to other types of attractions. In 1994, there was a 3% increase in visits to country parks and a 2% increase to visitor centres, while there was a drop in visits to historic properties and wildlife sites by 1% and 2% respectively<sup>6</sup>. There was also a decline in the popularity of indoor attractions as compared to outdoor facilities, which tended to maintain, if not increase, visitor numbers, as experienced by 43% of country parks.

##### 7.4.1 Walking, Cycling and Horse Riding

It is presumed that walking would be the most popular informal recreational use of the canal. The Sankey Valley Country Park would provide attractive countryside for walking and cycling from one end of the canal to the other, with interests and activities including wildlife, conservation and orienteering. There is already a small length designated as a bridleway.

The Trans Pennine Trail, which provides a network of paths from the west to east coast for walkers and cyclists, passes adjacent to the canal in the Halton and part of the Warrington section. The restoration of the canal would improve these routes for informal recreation.

The towpath would also provide a valuable community corridor between and within St Helens, Warrington and Widnes.

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<sup>6</sup> Source of information : Sightseeing in the UK 1994 ETB, NITB, STB, WTB

#### 7.4.2 "Gongoozlers"

This term is used to describe informal visitors to the canal who watch all activities on the canal including boat movements and the operation of locks. As long ago as 1904, a "Gongoozler" was defined as "an idle or inquisitive person who stands staring for prolonged periods at anything out of the common".

#### 7.4.3 Other Informal Uses

Other informal users of the canal would include those undertaking special interests such as bird/wildlife watching, art or photography, activities such as orienteering or following nature, historic and other trails, or more relaxed pursuits such as picnicking.

The total number of informal users of the canal can be estimated using statistics from other canals, current level of activity in the Sankey Valley Country Park and future opportunities for informal recreation. For a canal close to major centres of population with easy access and sufficient facilities en route it is estimated that in the region of 125,500 informal visitors per year per mile could be attracted. This would equate to just under 2 million informal visitors to the canal each year<sup>7</sup>. As with angling visits, it has been assumed that 29% of the total would be additional visitors, attracted due to the restoration of the canal, with an average spend of £2.95 equating to a total expenditure of £1,610,478.75.

### 7.5 Canal Related Development

Any canal related development which were to occur or be stimulated due to the restoration of the St Helens Canal would also provide employment in construction. Development would likely be in the form of boatyards, leisure facilities, catering and retail outlets.

Such developments would be dependent on a number of variables including the resulting development opportunities and demand. At this stage, any estimate of capital investment and subsequent employment opportunities would be highly speculative and so, for the purposes of this report, such potential benefits have been excluded from the benefit analysis.

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<sup>7</sup> For comparison : The Derby Cycleway, in a less well populated area no more attractive than Bewsey Lock to Newton Common has 500,000 visitors per year, without a navigable canal next to it.

The restoration of the canal would also have an influence on raising local property values and could even boost developments not directly related to the canal which, otherwise, would not have occurred. These indirect benefits are notoriously difficult to forecast and evaluate with any degree of accuracy. In the case of the St Helens Canal, they are likely to be small and, for the purposes of this report, they have been excluded from the benefit analysis.

## 7.6 Canal Operation and Maintenance

On restored canals that are connected to the national network and which provide expansion room in areas of high demand, it can be expected that the marginal increase in income will exceed the marginal increase in operation and maintenance costs. However, due to its isolated nature, the restored St Helens Canal would not be able to provide such additional capacity for the main canal system.

As can be seen from the discussion in Section 10 Post Restoration Expenditure and Revenue, it is expected that expenditure on operation and maintenance of the St Helens Canal after restoration would be likely to exceed the direct income and may require a subsidy from the local authorities. Although expenditure on operation and maintenance of the canal would produce spending in the local economy and it is estimated that four full time jobs would be created, these would not be nett benefits and, therefore, cannot be included in the benefit analysis.

## 7.7 Post Restoration Impacts on Local Economy

### 7.7.1 Spending

The estimated annual spending, mainly through formal and informal uses, generated by the restoration of the St Helens Canal is summarised in Table 7.8.



Annual Spending Generated Following Restoration		£/pa
<b>Formal Uses</b>	Weekly/Short Break Boat Hire	57,600
	Day Boat Hire	34,285
	Trip Boats	29,652
	Private Boats	101,456
	Angling	32,576
	Canoeing	negligible
<b>Total Spending from Formal Uses</b>		255,569
<b>Total Spending from Informal Uses</b>		1,610,478
<b>Canal Related Development</b>		n/a
<b>Operation and Maintenance</b>		n/a
<b>TOTAL SPEND</b>		<b>1,866,047</b>

**Table 7.8**

### 7.7.2 Employment

As discussed previously, the potential benefits for employment arising from canal related development or from canal operation and maintenance have been excluded from the present analysis of benefits. The generation of employment, therefore, has been based solely on that resulting from leisure spending.

Leisure spending, estimated at £1,866,047 per year, would also assist in supporting and creating employment in the provision of facilities and services related to the canal.

The percentage of spending used for wages is dependent on the type of establishment and the level of wages in that particular sector. For example, in boatyards the proportion of turnover contributing towards wages is in the region of 45% compared to only 21% in retail outlets. Using an average of 33% of total spend attributing towards wage costs with an average wage in these sectors of £12,800 it is estimated that the direct total of full time employment would be 48 FTE jobs at year ten. All employment is expected to be drawn from the local area.

Although 48 FTE jobs at year ten are anticipated, many of these would be seasonal or part time. The relationship between full time equivalent jobs and actual jobs is assumed to be 1:1.5 which equates to 72 actual jobs.

Indirect jobs would also be generated through the purchase of goods and services. The benefits by sector will vary but the average job creation will be in the region of 0.15 indirect jobs per direct job. This would equate to 7 indirect jobs.

Additional employment will also arise from the multiplier effects i.e. through spending by those employed as a result of leisure spending. The multiplier effect on the 55 FTE jobs (48 + 7) discussed above will result in a further 11 FTE jobs bringing the total jobs created from spending to 66. These calculations are shown in Table 7.9.

Employment Generated Following Restoration	
Total spending	£1,866,047
Level of turnover as wage costs	33%
Average wage	£12,800
Indirect jobs per direct jobs	0.15
Local multiplier (typical value)	1.2
Direct employment (FTE jobs by year 10)	48
Indirect employment (FTE jobs by year 10)	7
Additional jobs from multiplier effect	11
Total FTE jobs created by leisure spending by year 10	66

Table 7.9

## 7.8 Conclusions

### 7.8.1 Summary of Restoration Benefits

Benefits	£
Weekly/Short Break Boat Hire	57,600 pa
Day Boat Hire	34,285 pa
Trip Boats	29,652 pa
Private Boats	101,456 pa
Anglers	32,576 pa
Canoeists	negligible
Total Spending from Formal Uses	255,569 pa
Total Spending from Informal Uses	1,610,478 pa
<b>Total Spending</b>	<b>1,866,047 pa</b>
<b>Total Cost of Construction</b>	<b>41,380,401</b>
<b>Construction Costs Spent in Local Economy</b>	<b>29,938,519</b>
<b>Local Employment Generated from Construction</b>	<b>852 FTE Job Years</b>
<b>Local Employment Generated from Spending</b>	<b>66 FTE Jobs</b>

Table 7.10

### 7.8.2 Cost Benefit Analysis

From the foregoing benefit analysis an indicative cost-benefit balance sheet can be derived. The starting point for such an exercise is to consider the shortfall between the cost of restoring the canal and the proportion of that cost which is then fed into the local economy.

Cost of restoration	£41,380,401
Spend in local economy	<u>£29,938,519</u>
Shortfall	£11,441,882

If a break-even cost-benefit is to be achieved, the annual visitor spending as a result of restoration must offset the shortfall in construction benefits.

It should be noted that neither the cost of maintenance (10.2.4) nor the job creation from maintenance (7.6) has been included in this cost benefit analysis.

In calculating the effect of annual benefits against the fixed capital cost of a scheme, it is normal to count benefits up to a given time horizon and to discount benefits in future years by a fixed rate. For the St Helens Canal a thirty year time horizon has been adopted from the first benefits coming on stream, which has been assumed to be five years after restoration starts. It has been assumed, also, that only half the annual visitor spending would result until year 15, whilst the canal is completed and visitor numbers build up.

The discount rate represents the return on public investment required by the Treasury for certain public sector financed schemes<sup>8</sup>. The reason for using a discounting rate is that money arriving earlier in the scheme is regarded as being worth more, based on the concept that the money thus earned could be invested and earn interest over a longer period. For the purposes of the feasibility study a discount rate of 8% per annum has been used.

Assuming that no benefits are received in years 0 - 4, that 50% of benefits are received in years 5 - 14 and that 100% of benefits are received from year 15 - 34, the following benefits arise:

Benefits

Years 0 - 4	Nil
Years 5 - 14	£ 4,969,791
Years 15 - 34	<u>£ 6,736,470</u>
Total (Present Value)	£11,706,261
Shortfall from construction	<u>£11,441,882</u>
Benefits surplus	£ 264,379

<sup>8</sup> The required rate of return for nationalised industries was raised in 1989 from 5% to 8% in real terms before tax. The discount rate for the non-trading part of the public sector was set at not less than 6% in real terms.

Road and rail schemes are evaluated using an 8% discount rate. British Waterways are required to show a rate of return of at least 8%. The National Rivers Authority, however, use a 6% discount rate for their flood defence and environmental improvement schemes.

The Present Value is the value of the benefits at the present time, with future year benefits discounted at a rate of 8%. It is not the visitor spending, which actually totals £46,650,000 over the thirty year period.

This cost-benefit equation may be considered conservative for a number of reasons. The equation is very sensitive to the discounting rate used; 8% is a relatively high rate and a 6% discount rate, for example, would result in a benefit of £15.8 million rather than £11.7 million, making the cost-benefit balance clearly positive.

Furthermore, the assumptions of a five year horizon before any benefits are obtained and a ten year horizon for achieving full benefits may be seen as conservative. The earlier that benefits come on stream, the higher the 'benefit' side of the equation.

Finally, the costs of restoration (and the benefits of construction) will be spread over the ten year period and, thus, should also be discounted. It is likely that the most complex and expensive sections will be left to last and these schemes may well also give lower 'local' spending levels. For road projects, the discounting of a scheme's costs in future years is normal practice. In this case, however, as scheme benefits are directly related to construction costs it was considered that any attempt at a methodology beyond the direct comparison made would be too artificial and open to question.

From this it can be seen that, at a minimum, the restored canal would pay for itself in terms of input into the local economy. However, it does not have the very favourable returns of many canals linked to the national canal network. When making the decision on whether to proceed with the canal restoration project the three local authorities may wish, therefore, to take into account the more intangible benefits of restoration such as the community benefits through increased amenities and the provision of a traffic-free canalside route which has little financial return but offers considerable gains in terms of sustainable policies.

As part of the decision making process, it will be necessary to consider what would be the alternatives to proceeding with full restoration. These would include:

- maintain the status quo - virtually a 'do nothing' option, except that there would still be a continuing maintenance requirement, with little prospect of increasing the revenues. This would probably result in a slow decline.

- enhancement of the canal as now existing - there is some scope for enhancing the remains of the canal, with sections in-water or dry as at present, and offering increased facilities and interpretation. Cycle routes and footpaths could be developed along the canal corridor. There would be benefits but these would largely be low key with virtually no impact on the local economy.
- partial restoration - various options would be possible that could include works to extend navigation on existing in-water sections only or the creation of a continuous non-navigable waterway, thus saving the costs of locks and of removing fixed bridges. These options could produce additional benefits to landscape and to nature conservation. Economic benefits would be dependent on the extent and type of navigation that resulted.
- elimination of the canal by infilling - even this would incur heavy costs as the in-water sections would require the removal and disposal of contaminated silt but would produce little in terms of benefits.

It has been demonstrated elsewhere that eliminating canals can often be as expensive as restoring them, without the potential for economic, ecological, amenity and heritage benefits. This is likely to be the case with the St Helens Canal. It is also clear that without the attraction of a fully navigable canal, the benefits, particularly economic benefits, can be quite limited.

In the case of the St Helens Canal a number of additional factors should be considered:

- the canal forms part of the land drainage system within the Sankey Valley and, at some locations, it also provides flood relief to the Sankey Brook. Any proposal to eliminate the canal would need to take account of these functions.
- those sections of the canal that have been infilled with refuse or other active wastes are deemed to be landfill sites and, as such, the owners have a Duty of Care under the Environmental Protection Act 1990 to ensure that they do not become a hazard to human health or the environment. Legislation affecting such sites is likely to become more restrictive in the future and, indeed, Section 57 of the Environment

Act 1995, yet to be enacted, will enhance and expand the existing statutory powers.

- abandonment of the canal would fail to utilise the commitment and investment already made by the three local authorities in the canal and its corridor which would not then be able to reach their potential.

In addition, it must be borne in mind that the funding agencies are not necessarily looking for a positive cost-benefit analysis. In particular, the National Heritage Memorial Fund aims to support schemes which safeguard and enhance public access to land, buildings and artifacts of interest to the local, regional and national heritage of the UK and specifically seeks projects which are unlikely to be achieved without lottery funding. Such funds are, therefore, seeking the very benefits not identified in a financial cost-benefit analysis.