

MEMORANDUM TO THE BOARD

CHIEF EXECUTIVE'S REPORT – NOVEMBER 2009

1. Health & Safety

- 1.1 A full safety report is attached at Appendix 1.
- 1.2 A report on the Upper Lode incident is attached at Appendix 2.

2. Stakeholder Relations

2.1 Defra

I will update the Board on our extensive discussions with Government over their proposals to sell our property endowment. The latest draft of the proposed Treasury document is attached (Appendix 3). We are proposing fundamental modifications to this.

When the Property Subsidiary was announced, the Chairman of the Pension Trustees wrote to say that if there was a transfer of interest in the properties, the Trustees would seek some form of mitigation for the reduced employer covenant.

2.2 Quarterly Shareholder Meeting

This took place on the 5 November. The senior representatives from both Shareholder Executive and Treasury did not attend. Other than the property endowment issue, there were no significant agenda items.

2.3 England & Wales

2.3.1 Annual Meeting

We held a successful Annual Meeting in Birmingham on the 6 October. The main topic was our 2020 Vision with a presentation from Mike Hudson and Stephen Lloyd. It was a very positive meeting with little of the criticism of previous years and a genuine interest to explore the benefits on a Third Sector move.

2.3.2 Royal Visit to Gloucester

The Queen and The Duke of Edinburgh visited Gloucester on Friday 23rd October. The Royal helicopter landed at our Travis Perkins site adjacent the Gloucester & Sharpness Canal and the royal party then boarded two Royal Navy ships moored on Roman Quay. The ships then took the royal party up the G&S Canal where they had an opportunity to view recent canalside developments. John Bridgman represented British Waterways. The weather was kind and both the Queen and Prince Philip appeared to enjoy the day.

2.3.3 British Waterways Wales Group

5 members have been appointed and an induction programme is scheduled for the end of November.

2.4 Scotland

2.4.1 Meetings with Politicians

Steve Dunlop had a very positive meeting with Roseanna Cunningham MSP, Minister for Environment and, following, was invited to attend a reception at the Scottish Parliament entitled 'Nature's Role in a Healthy, Wealthy Central Scotland'.

2.4.2 Strategic Review – Third Sector Proposal

In October, we convened the Autumn Highland and Lowland Customer Forums which attracted upwards of 130 people in total, and the Twenty Twenty conversation was a major part of proceedings.

Headline feedback suggests boating and towpath users are keen to see the canal network remain in public ownership and managed by BWS yet under a new business model which allows wider fund-raising/capital leverage. The consensus at both events was that there is a real value in a greater level of community and user involvement in the canal network.

3. MARKETING & CUSTOMER SERVICES

3.1 Overview

The period since the September Board has been dominated by the progress of our proposal to move to the third sector and our concern at the Government's proposal to sell our property. Some milestones are noted below and will be the subject of verbal update at the Board.

The restructure has gone mostly smoothly for the new marketing department which now incorporates all the people who devise policy, monitor and collect revenue from our boating business as well as marketing and communications professionals.

3.2 Communications

3.2.1 Coverage

We received a steady flow of positive media coverage over this period covering a broad range of topics, including wildlife, boating and the Olympics. In the latter part of the period, the Prime Minister's announcement about state asset sales renewed speculation in the press about BW's property dowry.

3.2.2 Social Media

We are working with a specialist online communications agency, Wolfstar, to research the potential for using social media techniques to engage more with existing customers and wider audience groups.

3.2.3 England's Historic Waterways – a working heritage

We launched a new joint document with English Heritage at London Zoo on the importance of the historic built environment to high quality waterside regeneration. The event was attended by around 120 architects and planners and a panel debate was chaired by Paul Finch, programme director of the World Architecture Festival, with other panellists including: architect, Rab Bennetts; historian and broadcaster, Tristram Hunt; and landscape practitioner, Simon Munro.

3.3 Customer Relations

3.3.1 Complaints

To date (in the financial year 2009/10) the Waterway Ombudsman has completed 11 investigations. The Ombudsman fully upheld one of these complaints and in three of these she found partially against British Waterways. Seven were not upheld.

The overall volume of complaints year to date is down by 4.24% in comparison to the same period in 2008/09. The number of first level complaints responded to within fifteen working days is currently 100%.

3.3.2 Freedom of Information Requests

The number of Freedom of Information Act requests received to date (2009/10) is 127. In the same period in 2008/09, 39 requests for information were received. The number of information requests has more than tripled so far this year.

3.4 Volunteering

- **Volunteer Activity – Half Year Position**

The waterways and central teams reported 7200 days of volunteering activity at the half year point (7300 days at the same point last year). Concerted efforts are now needed from the newly established central and local teams to ensure last year's record is significantly exceeded.

- **Volunteer Organisations Recognition**

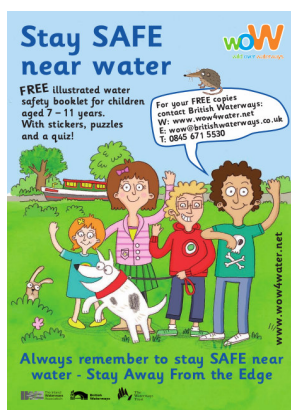
Awards are being given for the second year running to volunteering organisations around the country to say 'thank you' for their assistance. The groups are not 'winners' but are being thanked on behalf of all the organisations. Groups include local waterway societies, a youth volunteering organisation and local community volunteering groups.

- **Website Development – Volunteering**

Substantial work has taken place over the summer months to revitalise the volunteering pages on the website. Whilst this work is not yet entirely complete, traffic is already on the increase; hits to our main volunteering article: <http://www.waterscape.com/features-and-articles/features/volunteer-along-our-rivers-and-canal> receiving 2,251 between June and September this year (a 345% increase on the same period last year).

3.5 Education

- A new illustrated Water Safety booklet aimed at children aged 7 – 11 years has been produced with the assistance of The Child Education Coalition and funding from the Wild on Water supporters group. The booklet has been written to help children have a great time around the waterways and shows them what to do in an emergency. It is an illustrated booklet showing a variety of waterway scenarios, encouraging the safe use of our waterways. It has stickers, puzzles and a quiz for grown-ups to encourage children to pass on these messages to their peers.
- The booklet is presently being distributed to internal BW staff through BW Monthly, externally through the WOW website, waterscape, IWA, TWT, school and uniformed groups, e-mail. mail-out, Police, Fire & Rescue, St John Ambulance, ROSPA, along with our own education customer database. The requests for these booklets are already coming in thick and fast!



3.6 Engagement and Involvement

- The British Waterways Advisory Forum Heritage Group has been advising on a specially designed process which aims to sell 13 life expired BW operational craft. These craft have substantial heritage value and the involvement of volunteers and enthusiasts in developing a sensitive and appropriate disposal process has been invaluable.
- A small consultation group is to be established shortly consisting of customers and senior waterway staff to explore ways in which our local consultation machinery could be expanded to include a wider cross section of the communities in which we work. Volunteers from both stakeholders and BW staff have already come forward to participate in this exercise.
- A similar discussion, considering our national stakeholder relationships is scheduled for the British Waterways Advisory Forum on 12 November.
- A very positive meeting with the representatives of the hire boat trade has taken place to discuss possible learning points arising from a tragic boating accident on the Oxford canal. Both BW and the trade representatives have pledged to explore improvements to customer information methods.

3.7 Marketing

3.7.1 Yours to enjoy 2010 marketing campaign

Following three successful years for the 'yours to enjoy' campaign, next year's campaign will evolve with the introduction of 'it's a national treasure' and 'yours to look after' themes.

The prime objective remains to increase visit/visitor numbers but we will test volunteer/'get involved' messages at some destinations.

The creative will be given a personal voice with headlines such as, 'It's my favourite place to do lunch' and 'it's my favourite place to take mum and dad for some exercise' with the sub heading: 'my local canal, our national treasure.' New images are needed to depict this and two photoshoots have already been done with a third planned for March 2010.

A channel review is underway which, in particular, will look at online media opportunities although it is likely we still continue with doordrops and outdoor media as part of the mix as they are proven to work.

3.7.2 Compass Report aka Setting a new course: Britain's waterways in the third sector'

The report, which has been written by Mike Hudson with input from Margaret Bennett, Stephen Lloyd, and BW is now in the design process. Printed copies are due for delivery on 30 November and will be circulated to all customers and stakeholders engaged with the new strategy, such as those that attended the Annual Meeting and recent 2020 dinners. A PDF of the report will be available on the BW website.

3.7.3 Getting in touch leaflet

We have produced a 'getting in touch' leaflet for our customers with a waterway map and useful contact details to help them stay in touch with us as we adapt to the new structure. Hard copies have been distributed through user groups and waterway offices and are available on request from the customer service team. A downloadable version is on the BW website.

3.8 Internal Communications

To help our people get to grips with the new structure we've produced 'your essential guide to the new structure' to help get used to new ways of working during the early days and weeks of the restructure. It includes structure charts, useful phone numbers, a waterway map and new boundary details.

Now that the new structure is in place our attention turns to engaging staff with the new strategy. This started on 10 November with the Business Briefing for senior managers and continues with a series of face to face briefings for every employee, followed by some focus groups in early January. Our usual communications channels will help us to keep momentum around the strategy and we are also exploring new tools to engage with people and create more opportunities for upwards feedback such as webchats and a Chief Executive's blog.

3.9 Boating Business

This report is an interim as we make the transition to the new boating structure.

3.9.1 Restructure of boating business

The restructure has been generally well received by customers with particularly positive reaction from the boating trade to the establishment of the trade unit. A day briefing for the whole boating team will be held on 14 December.

3.9.2 Licensing

Indicative rates of evasion continue to fall and the two week National Boat Check started on target on 9 November. This will give us a full snapshot audit to compare data with 2009 and 2008.

We have published the licence discount restructure proposals agreed at the last Board and are now seeking views on the changes. The timescale required to allow effective engagement means that any changes will probably be introduced at the beginning of August 2010 rather than April.

3.9.3 Moorings

We have launched a 12 week consultation to improve understanding of mooring issues amongst wider stakeholders as well as boaters, and to invite feedback on new policy proposals for creating local, stakeholder-led mooring strategies, for introducing charges for overstaying on short term moorings and for residential moorings. We want to widen public engagement in the challenges that BW faces in balancing different demands on scarce mooring as boat numbers continue to grow, particularly for residential use. The formal consultation follows extensive pre-consultation engagement.

4. STRATEGIC PEOPLE ISSUES

4.1 Restructure

The new business structure went live on 2 November. The crossover went smoothly and everyone is now working in the new structure.

The final outcome on numbers is as follows:

Net reduction in posts: 108-118
Total redundancies: 88 of which 42 voluntary and 46 compulsory
Total redundancy and restructuring costs: circa £3.2m.

4.2 Business Briefing

Directors and the top 60 managers met for a one day conference on the 10 November. The main topic was the 2020 vision. We had outside speakers from BNP Paribas (on the economy), Cavendish (on the political scene) and Compass (on 2020).

5. LEISURE

5.1 Standedge

October saw the Marsden Jazz festival hit Standedge, with a Salsa night bringing in around 100 people on the Saturday night. This was followed by a family activity day on the Sunday with badge making, craft fair and various jazz performances throughout the day including a jazz boat shuttling people from the village to the centre all day. Other successful events included a bat walk which attracted around 40 people and the heritage open day which saw an illustrated talk by Terry Sigsworth, and a vintage car rally at the centre.

5.2 Record Season for the Crinan Canal

Although the season is now slowing, with 1,782 boat movements and still counting, it has been a record year on the Crinan Canal.

5.3 Awards

The Crossing on the Caledonian Canal has made the first cut of BURA's Waterways Renaissance Awards 2010 and the Caledonian Canal has been short-listed for Best Visitor Experience in the Highlands and Islands Tourism Awards taking place on 20th November.

6. PROPERTY

6.1 Disposal – Floatel Hotel, Northwich

Following the tenant going into liquidation, the empty building has become an ongoing problem with vandalism. The Property Development team, who manage the property, have gained approval for the property to be demolished and work will commence on 2 November. The site will form part of the Northwich Regeneration project.

7. RESTORATION/REGENERATION

7.1 Weaver Valley – Canoe Trail

A successful first round bid has been achieved with the submission of a Canoe Trail to Sports England Rural Communities Themed Round which will create a long distance trail along the Weaver Navigation. The project, part of 30 successful schemes from over 500 submissions, has now been invited to submit a detailed bid in December. The project brings together a large number of partners throughout West Cheshire including the new Local Authority and a number of sports organisations.

7.2 Shireoaks, Chesterfield Canal – Towpath Improvements

The funding bid for 2km of upgraded towpath has been successful. Funds of £229k including BW's £23k contribution will be included in an AR. A first steering group meeting has been held with the Nottinghamshire County Council and Chesterfield Canal partnership about participation in the project. The Chesterfield Canal Partnership will be providing volunteers to undertake user studies before and after the works.

7.3 Constructing Excellence Award

Nottingham's Big Track sustainable transport route has won the East Midlands Infrastructure Award. BW representatives and project partners have been invited to the national presentation on 19 November 2009 at Lords. The awards aim to recognise and reward innovation, skills & training, and sustainability in construction.

7.4 River Soar Emerging Strategy launch

The event on 24 November at Walkers Stadium, Leicester will launch the River Soar & Grand Union Canal Emerging Strategy. BW is a partner in the project, led by The Waterways Trust. The strategy provides an assessment of the current position, issues and future opportunities of the River Soar and Grand Union Canal, recommending a series of short to medium term actions to secure a successful long-term future for the waterway.

7.5 Movement for the Kelpies

In October, the Helix Board gave the go-ahead for a full canal extension leading from a new sea lock on the River Carron and the Carron marina at Grangemouth to either a lift bridge or drop lock connecting with the existing Forth and Clyde Canal along with the 30m high iconic Kelpie installations.

7.6 Independent Economic Impact Research, Scotland

We have received the findings of our six monthly report by independent economic consultants and, whilst regional impacts are to follow, we know that overall impact figures have increased.

Overall, £322 million of private investment has been stimulated by the Millennium Link (up from £282m in April's report) and updated projects show we have the potential to generate £1.8bn (up from £1.5bn reported in April) and over 12,700 jobs by 2015 if investment in Scotland's canals continues at the current level.

8. RISK

8.1 River Usk Abstraction

BW met the EA officers charged with carrying out a review of their process to date. They are prepared to consider BW's input and views in that review. We have also demonstrated that lower rates of abstraction being called for by EA and W&U Foundation cannot support navigation without unacceptable restrictions. EA agreed at the meeting that the existing Management Agreement does not require us to restrict navigation except in the worst flow conditions (not reached this year).

8.2 Pollution Incident – River Trent

On Wednesday 7 October a major pollution incident occurred when cyanide was leaked into the Trent at a point before the river forms part of the Trent & Mersey canal at Alrewas. The event was reported widely in national TV, radio and press. Emergency procedures waterway worked well and we were able to respond effectively and work with the Environment Agency to monitor and mitigate damage. Aside from staff time, there was no cost liability for BW. Local staff can be commended for their response.

9. CORE WATERWAY

9.1 Heritage Partnership Agreement

We have finally concluded our agreement with East Riding District Council, English Heritage and PICAS which will facilitate a very much efficient approach to maintenance works on the Pocklington Canal. The quality of the work has been recognised at recent Heritage Conventions and will form a template for other English Heritage Partnership Work with BW.

9.2 Volunteer Works

In recent weeks teams of volunteers have been out litter picking, cutting back vegetation, cleaning off copers, scraping cobbles and trimming up the towpaths along the Rochdale Canal, MB&B and the Leeds & Liverpool Canal.

Other groups such as Lancashire Probation Trust, Marple Locks Heritage Society, Inland Waterways Protection Society and many more have been engaged in similar projects.

Collectively these groups have collected countless bags of litter, cut back 2 km of vegetation, cut back 0.5 km metres of wash wall trees, scraped off 2 km of the towpath and coping stones.

Discussions with Burnley Council continue whereby funding for a litter boat plus labour is being sought. A combination of private sponsorship and Future Jobs funds is being actively sought, with the Council being the lead partner.

9.3 Sailability

Attempts to assist in the resolution of the differences between the parties Rudyard Lake Limited and Sailability are ongoing. RLL maintain that they do not want the proposed boat house in the bay of the lake and have proposed an alternative building which it appears on face value that the planners may accept. Sailability formally considered this but have yet to respond with a decision. Questions have been raised of the Waterways Minister on the matter and he has indicated he would be prepared to meet the MP and Trustee Charlotte Atkins. To date the information provided to the Minister has come directly from BW.

In anticipation of a failure to find an amicable solution a further legal review of the licence to RLL is being undertaken.

9.4 Tees Fish Pass

Some concern is expressed about the information coming from the study which suggests that the Barrage – Barrage/water quality relationship is having a detrimental impact on the passage of migratory fish – noting that the new canoe slalom will improve routes for passage once completed. We are convening an internal review of the project which is mid-term to ensure we can control media concern and develop an appropriate “proportionate” response.

9.5 Heritage Open Days

BW ran 20 Heritage Open Day events with support from canal societies and other voluntary groups. Amongst these the ‘walk and talk’ events were very successful, with over 100 people attending in e.g. Gloucester and in Edinburgh. Elsewhere, specific buildings were open to the public (e.g. The Kiln, Newark, Lune Aqueduct, Lancaster, the Hydraulic Accumulator Tower, Limehouse).

10. EFFICIENCY

10.1 Efficiency & Benchmarking

As part of Defra's drive towards an Integrated Commercial Strategy (ICS), we have recently attended a 2-day workshop with the Defra 'family' geared towards identifying priority areas for collaborative procurement within Defra and/or across the public sector as a whole. 'Pathfinder' projects have been identified as follows:

Collaborative Procurement: Pathfinder Projects – October 2009		
Project Name	Lead Partner	Key Participants
1. Temporary admin staff	EA	NE, Defra
2. Print Management	Fera	Defra
3. Mobile Comms	Natural England	Defra
4. Environmental Consultancy	Natural England	CEFAS, EA, BW
5. Engineering Consultancy	EA	BW
6. SBEWS (Facilities Mgmt)	Core Defra	
7. Management Information	Core Defra	

Due to our level of procurement resource / expenditure relative to that of the EA/NE in these areas, our involvement is likely to be primarily that of a stakeholder/beneficiary rather than lead organisation.

Following a recent meeting held with relevant directors and chief executives of Defra, EA and BW to discuss OEP and BW/EA scope for savings/wider collaboration, Jim Stirling and Nigel Habben have also met with EA representatives and commissioned an independent benchmarking report to examine the potential for EA/BW collaboration on construction procurement. Initial findings suggest BW Omnibus framework as being good value compared to EA major works approach but further analysis is currently underway.

BW has contributed to a HM Treasury OEP benchmarking exercise via DEFRA. This looked at our overhead costs in terms of Finance, ICT, HR, Procurement and Office Space. We have been given sight of the data set for the DEFRA family of organisations and whilst there are some notable differences in the metrics, BW's statistics are broadly similar to or better than the other organisations, including the EA.

The project has now moved a stage further with the Treasury sharing the complete data set across government and BW has been invited to join a working group to consider and comment upon this data. It is likely that this data will be put into the public domain in the near future. This represents an excellent opportunity to measure BW against a wide range of public sector organisations in a way that hasn't previously been possible.

We will be seeking to identify areas for performance improvement on the basis of this comparative analysis. Alongside this work we have secured agreement from Scottish & Newcastle Plc to visit their shared services function to learn how they operate this, what they achieve within it and how they measure their performance. We will assess how BW compares to this leading private sector organisation with regard to shared services with a view to enhancing our own performance.

The control of electricity and gas costs is another focus of current work aimed at improving efficiency. We receive quarterly invoices for more than 900 utility meters where more than 80% are estimated bills. We are currently working to locate, document and map all meters in order to ensure that billing is restored to an actual basis. In this way we can be clear of our actual energy usage as we seek to reduce this in line with our carbon reduction commitments. There is also likely to be a significant cash flow advantage from actualising these charges. This appears to be anything but a simple process but the resources are being put into this to ensure that it is completed in the current financial year.

Work has now been completed on removing unnecessary telephone lines from BW premises. More than 500 have been disconnected. This will save more than £110,000 pa compared to 2008/09.

A handwritten signature in blue ink, appearing to read 'REMS.', with a stylized initial 'R' and 'E'.

ROBIN EVANS