

BRITISH WATERWAYS

CHIEF EXECUTIVE'S BRIEFING PAPER TO ACCOMPANY THE MINUTES OF THE JANUARY 2005 BOARD MEETING

This paper should be read in conjunction with the Minutes for the Board Meeting on 27 January 2005. It is an informal briefing paper to supplement the topics discussed as part of the Board agenda.

We publish it as part of our commitment to Openness & Accountability to help our stakeholders understand the work of BW and its Board and the breadth of issues raised with it.

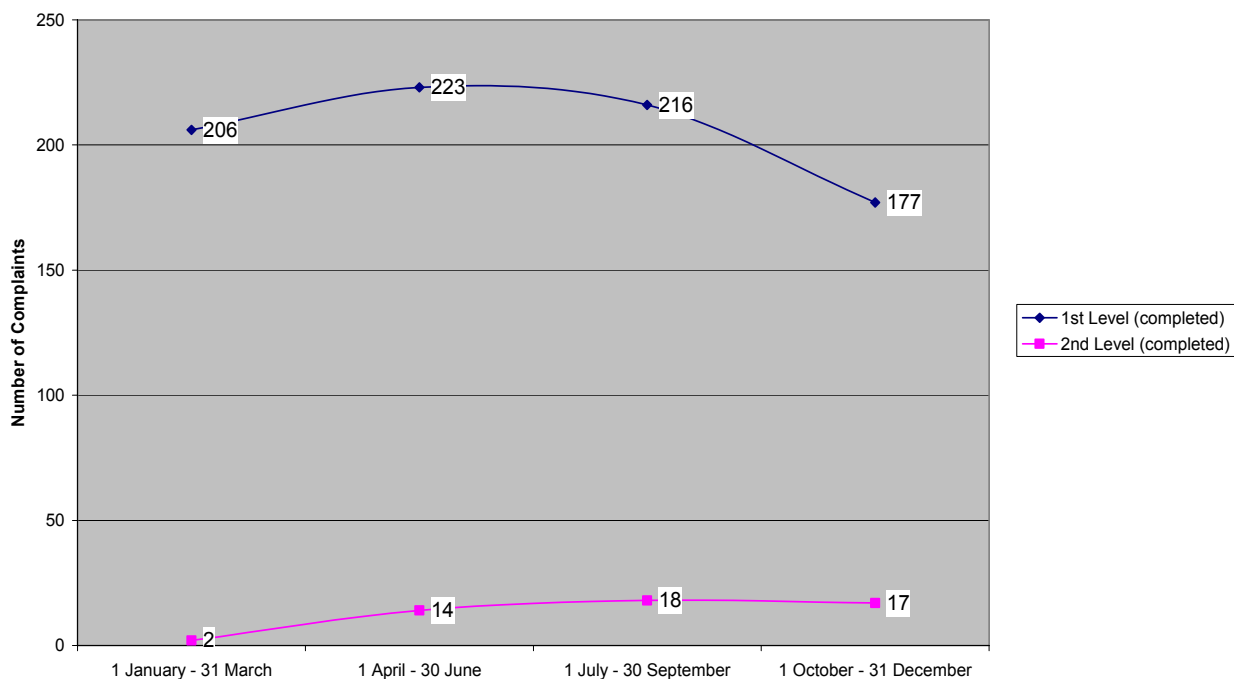
1. STAKEHOLDER RELATIONS

1.1 Complaints

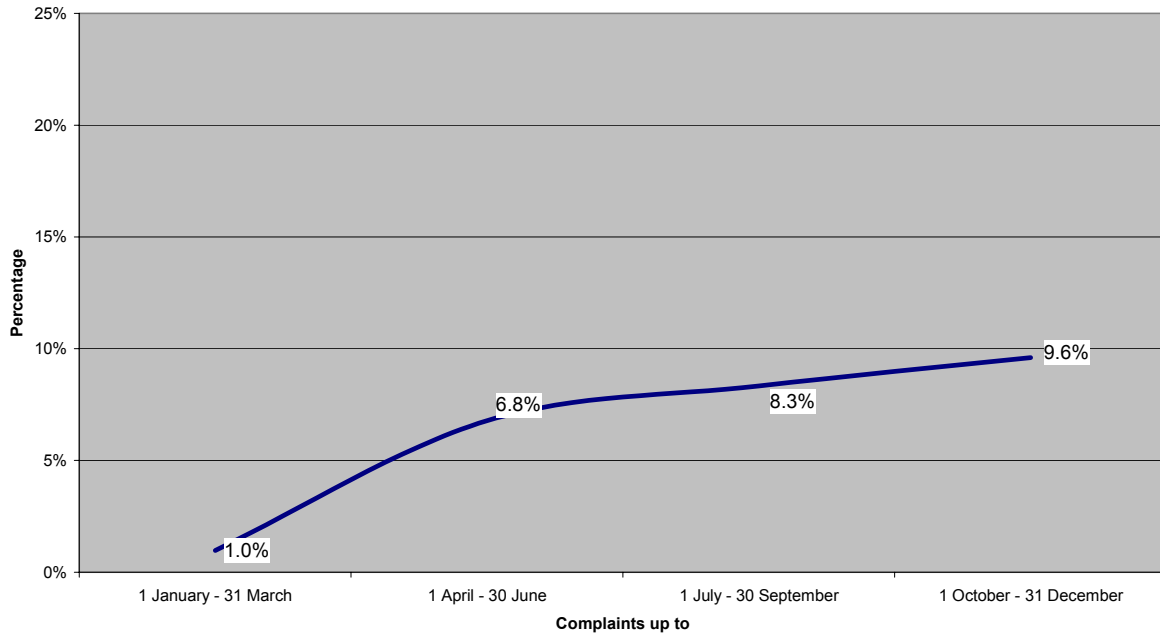
1 October 2004 – 31 December 2005

We have just completed our first twelve months of the Internal Complaints Procedure and of capturing data in this format. After one more quarter and the financial year end, we will review the way in which the process is working. There is, however, no doubt that the business has been more conscious of and reactive to customer complaints. There is a much stronger commitment to resolving issues in a timely and effective way. Anecdotal evidence from user groups suggests that this is having a positive effect on perceptions.

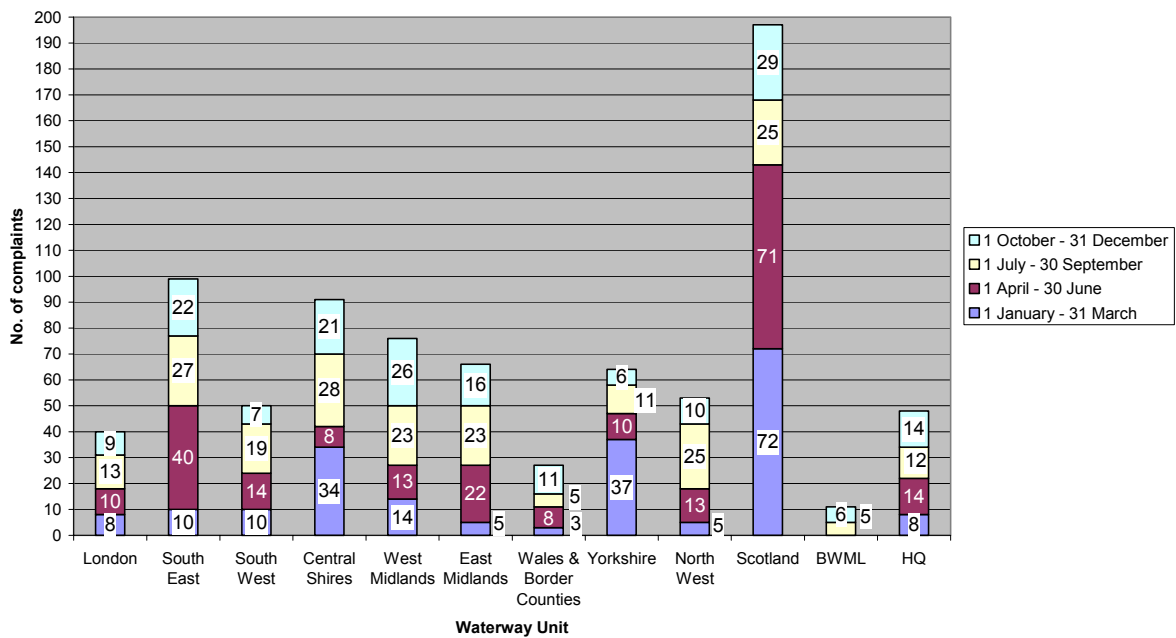
Number of Complaints at the Local (1st Level) & Corporate Level (2nd Level)



Percentage of Complaints Moved to Level 2

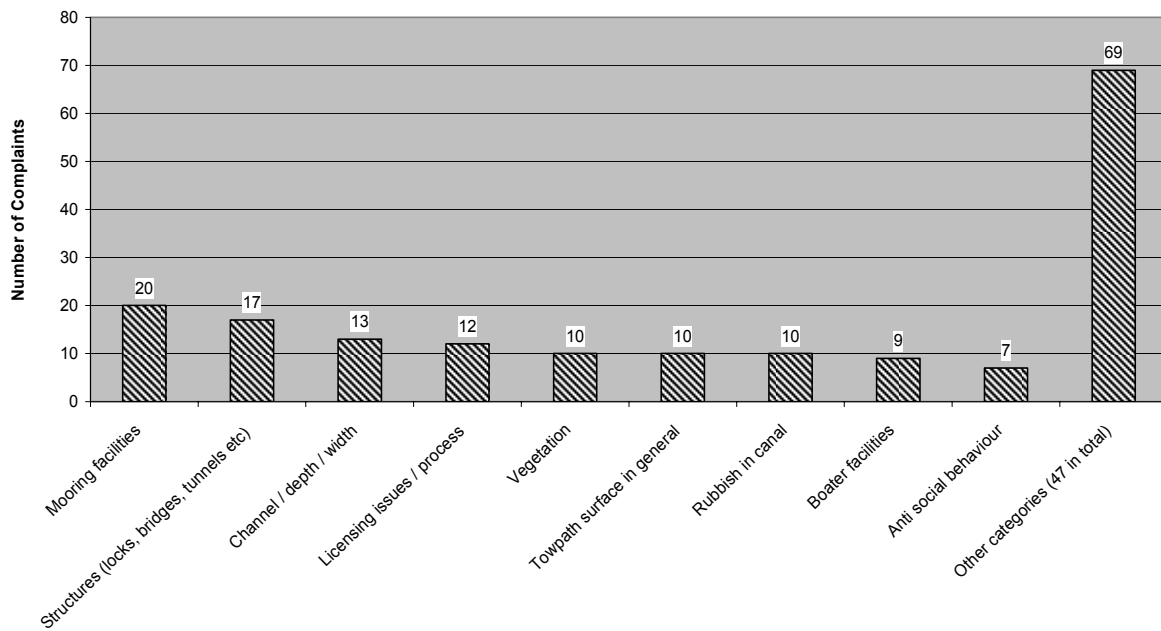


Complaints per Waterway and Business Unit



As reported in the last review paper, we discussed low levels of complaints at Wales & Border Counties with the local team. This resulted in further training in complaint definition and numbers recorded have increased this quarter.

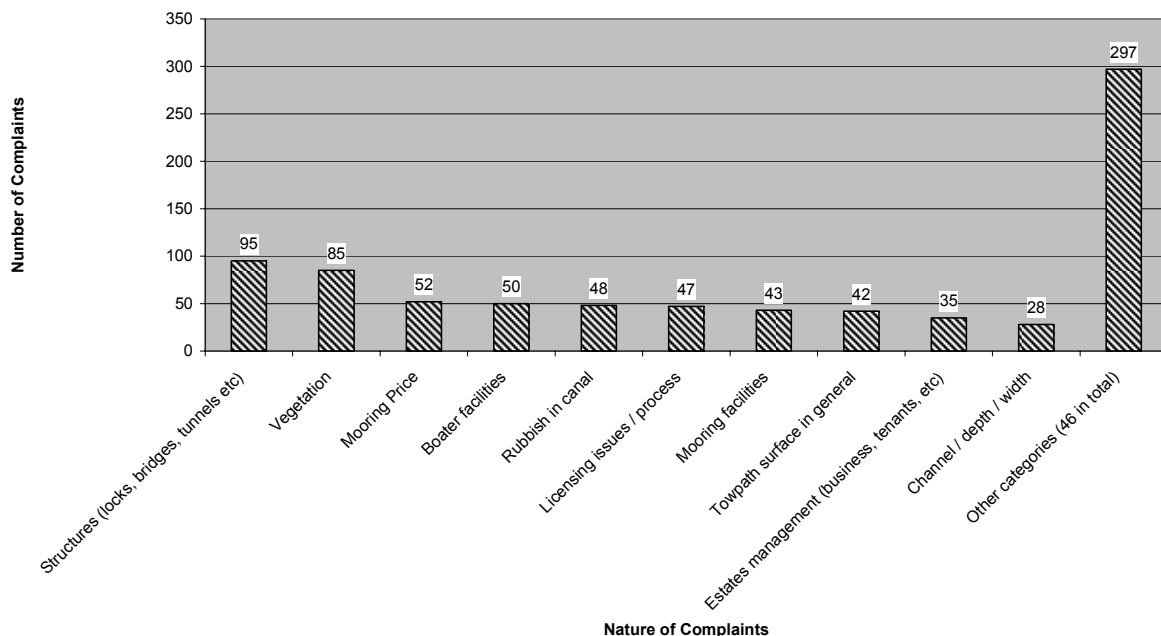
Nature of complaints 1 October to 31 December 2004



Nature of Complaints

Vegetation management features less prominently this period, for seasonal reasons. However, complaints about mooring facilities have increased which reflects value for money issues around the announcement of increased prices before Christmas.

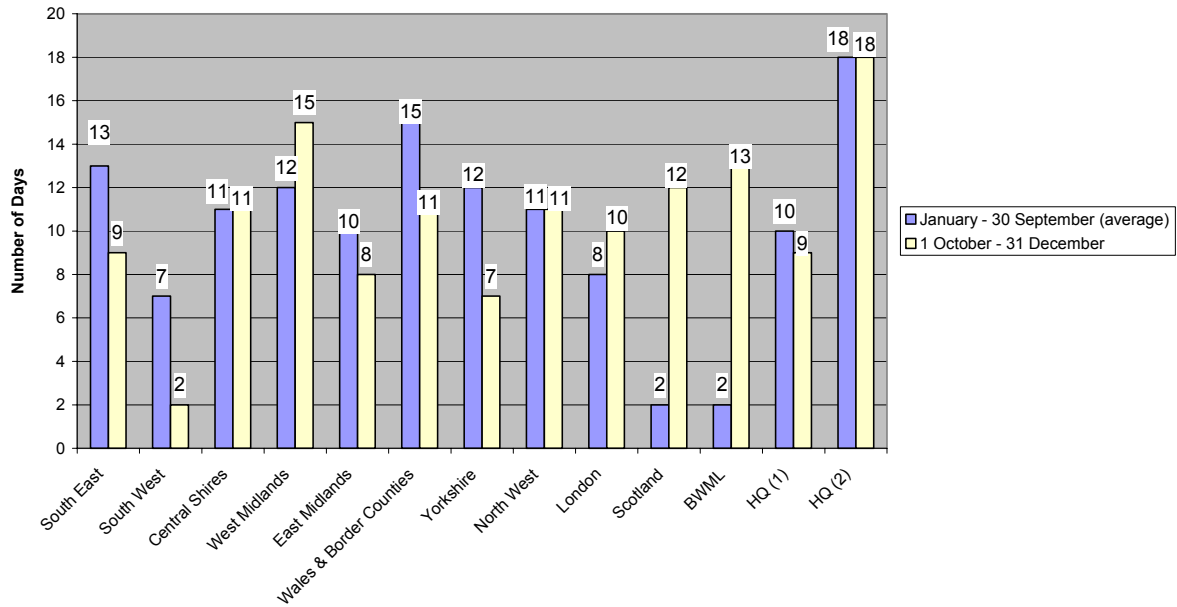
Nature of Complaints 1 January to 31 December 2004



Nature of Complaints

Apart from moorings facilities (see above), there have been no significant changes since last quarter.

Average Number of Days between acknowledgment and Full Response



HQ Level 2 complaints take longer because they are conducted by a Director without direct management responsibility. This means more time is required to understand the context of the complaint.

1.2 Marketing

Visitor Numbers

Average numbers of adults visiting a BW Waterway during previous two weeks



31015/Chart for Steve

For the first time, we have comparative year on year data (Sept-Dec). This shows falls in visitor numbers, although it repeats September as a peak month. It is too early to draw firm conclusions from this data. A preliminary review of weather patterns in the two years suggests that the weather was worse in this period in 2004 than 2003. We will be working with the research agency to understand the proper significance of movements as we acquire more data. We do not yet have enough data to map long term trends.

1.3 Media & Communications

We supported topics arising from the AGM, including our 'veg pledge' and consultation on towpath mowing regimes, and the future of the Stop House at Braunston.

We provided support for our programme to tackle licence evasion at Bath, including an interview on Radio 4's PM Programme, and we also worked with Radio 4 on 'Tales from the Towpaths', a major half-hour programme on canals and boating, which resulted in a balanced and broadly positive feature and included an interview with me.

Other important communications issues covered were the negotiations towards the successful achievement of planning permission for the major Gloucester Quays scheme, visits for two Ministers: Alun Michael to Goytre Wharf and John Prescott to Doncaster, the application to demolish North Warehouse at Sharpness, the serious breach of the Llangollen Canal in December and the local authority decision on the line of the B & M.K. Waterway.

The London Boat Show and the 10th anniversary of the Lottery were both opportunities for achieving positive media coverage for inland waterways, including large travel articles in the Daily Telegraph featuring Waterscape.

1.4 Goytre Wharf

Waterways Minister, Alun Michael, MP, opened a new heritage interpretation trail at Goytre Wharf, Monmouthshire and Brecon Canal, on Tuesday 7 December. The Minister went on a trip boat organised by the Monmouthshire, Brecon and Abergavenny Canals Trust, toured the new trail, unveiled a plaque and met with partners.

1.5 Deputy Prime Minister's Visit to Doncaster

John Prescott enjoyed a short boat trip along the South Yorkshire Navigation Canal to find out more about our involvement in the project to re-develop Doncaster waterfront. He was joined by Robin Evans, Laurence Morgan and Jeremy Harrison, who outlined their vision for the scheme. The boat trip, in December, was part of a "ground-breaking" ceremony on the waterfront organised by Doncaster College and Doncaster Council to mark the beginning of work on Doncaster Education City. The DPM spoke warmly about BW and engaged enthusiastically with us during the boat trip. He identifies himself strongly with our successes.

1.6 DEFRA 5-Year Strategy

Five key issues are identified in the DEFRA 5-year Strategy:

- Climate Change and Energy;
- Sustainable consumption and production;
- Natural resource protection;
- Sustainable food and farming;
- Sustaining rural communities.

We will endeavour to demonstrate BW contribution in these areas in discussions and bids to DEFRA.

1.7 Scottish Transport Agency

The Scottish Executive have formally announced the creation of this new agency. We have been told that the waterways are not included in its remit and we will remain in the Transport Group of the Scottish Executive (along with airports and buses). This is good news given the relationships we have built with the civil servants and Minister. We have been assured that the Minister will still have access to underspends from the transport budget for reallocation towards the year end.

1.8 Boat Safety Scheme

The second AGM of the Boat Safety Scheme was held at the Excel Boat Show earlier in the month. It was attended by over 100 people with a constructive atmosphere throughout. In particular, the consultation on modernising BSS and simplifying its procedures was endorsed and will be implemented from 1st April 2005.

1.9 Conservative Party Proposals

On the 17 January, the Conservative Party announced that it would sell £5.9bn of assets if it formed the next government. Included in this sale would be the £400m of non-operational property assets owned by BW.

This proposal was first aired last Summer and at that time I wrote to the Shadow Environment Minister outlining why this would cost the government more in grant and offered to meet him to explain our strategic plan in detail. I received no reply. I have now written to Mr. Oliver Letwin on the same lines. We understand that the IWA have issued a press release condemning the proposal and we also understand that the waterway press will be commenting adversely upon it.

2. RISK ISSUES

2.1 Brent Reservoir

I reported last Summer that with the acceptance of the Reservoir Inspecting Engineer, the Brent Reservoir remedial works have been deferred until 2005/06. A funding proposal for the works was subsequently rejected by the EA Flood Defence Committee. We are continuing to press the EA for the reasons for rejecting the project.

3. STRATEGIC PEOPLE ISSUES

3.1 Senior Management Changes

Finance

- Head of Shared Services – David Hughes will be leaving at the end of January to gain consultancy experience prior to emigration. The post has been advertised internally and an appointment is expected to be made shortly.

Marketing & Communications

- Departmental reorganisation – following a strategic review of priorities the Department has been re-organised to increase its focus on Marketing and Customer Service. Simon Salem has become Marketing and Customer Service Director. Jonathan Bryant will transfer from Scotland to head the new customer service section on 1st February 2005 and Sally Ash now heads boating business development. Responsibility for internal communications has transferred to the Personnel Director and craft licensing will transfer to Finance under the Head of IT on 1st April 2005.
- Waterscape – Managing Director, Simon Parker has resigned to take up a key post with VisitBritain. A replacement is being sought internally/externally with an interim manager in position to maintain progress. Finance Director, Mike Hoare is leaving for a post with Manchester University. His post is being covered by an interim Finance Director whilst a replacement is sought internally/externally.

Waterway Units

- South West – Service Manager, Mike Goodenough left in December. Eliza Botham, Marketing Manager (South) has been appointed to the post.
- Yorkshire – Janet Baverstock has been appointed to the vacant Service Manager post to commence in February. Janet has considerable marketing and customer service experience gained from visitor attraction and consulting roles.

Safety

- Head of Health and Safety – Tony Stammers will commence as Head of Health and Safety on 1 March 2005. Tony has considerable operational safety experience and is currently a HSE Principal Inspector covering the oil exploration industry.

3.2 Trade Union Pay & Conditions Claim 2005

The recognised unions (TGWU and UNISON) recently presented their annual pay and conditions claim. The claim equates to approximately 20% increase consisting of 5% across the board salary increase with £500 lump sum for all employees, reduction in working week from 37 hours to 35 hours without reduction in pay, increased holidays and significant increases to national allowances. Formal negotiations will commence shortly and our initial response has been a clear indication that we will not be offering improvements to terms and conditions anywhere near to a 20% increase.

Constructive discussions are underway on the redesign of our performance pay system which will be the key determinant of salary increases linked to individual and business unit performance.

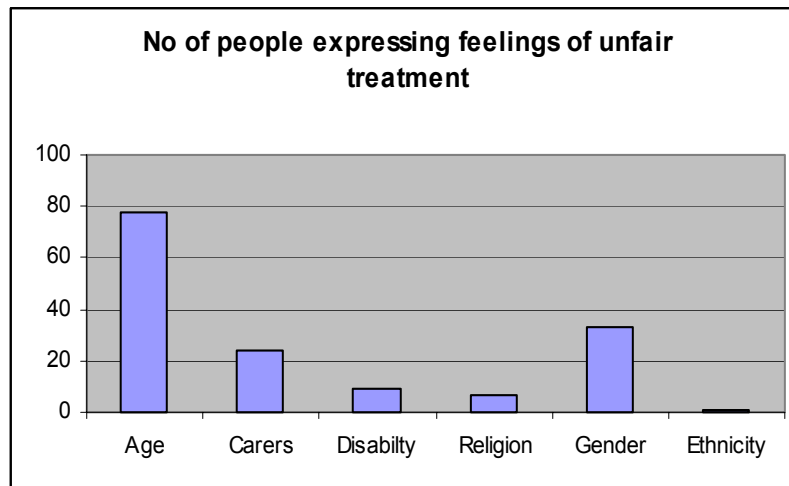
3.3 Appointment Of Employee Nominated Pension Trustee

Arthur Sylvester, Waterway Operative, North West recently commenced as a Pension Trustee nominated by the TGWU.

3.4 Equality & Diversity Survey

Our survey examined six equality and diversity areas – age, carer responsibility, disability, religious belief, gender/sexual orientation and ethnicity. 854 people (45% of workforce) responded which although lower than the response to our employee survey (62%) is sufficient for valid analysis.

Our main aim was to assess where individuals felt they were being unfairly treated. The results are shown in the chart below. The highest number claiming feelings of unfair treatment were related to age. It is worth noting that all age bands expressed similar levels of perceived unfairness, not just older workers.



It is clear from the survey that in general people are treated fairly within BW irrespective of their individual differences. We will now concentrate on getting our people to be open and use existing processes to complain about and bring attention to unfair treatment so it can be dealt with immediately at a local level.

Ethnicity remains the main area where our workforce is unrepresentative in comparison to general society as less than 2% of our people are from minority ethnic groups compared to 8% in the UK overall.

To continue to improve our performance in this important area, we are developing a programme to further raise our managers' awareness of equality and diversity issues and have engaged the QED organisation to present at series of workshops during 2005 lead by Adeeba Malik. This programme will include a session for Executive and Non-Executive Directors.

3.5 Asian Disaster

Margaret Shackleton, Engineer West Midlands, will shortly be travelling to Sri Lanka at the request of Oxfam to help with water supply and sanitation projects for 3 months. BW will cover Margaret's salary for the duration of this project.

4. CORPORATE SOCIAL RESPONSIBILITY

4.1 Charter Mark

BW will once again be the recipient of the Charter Mark – the Government's national standard for customer service for organisations delivering public services. This follows visits to Central Shires, West Midlands and London by a Charter Mark assessor.

Our assessor was particularly impressed by the customer orientation of our local people and the strong sense of empowerment that gives them ownership for “their part of the business”. He was also impressed with the visitor outlets visited at Fradley and Birmingham and the quality of our printed material. We have been holders of the award since our first application in 1993.

5. PROPERTY

5.1 Gloucester Quays

Following the City Council’s “minded to approve” resolution on the 23 November 2004, the Outline Application has been referred to the Government Office for the South West.

All independent stakeholders and scheme supporters – City Council, South West RDA, Gloucester Heritage URC and the Local MP – are pressing for any early decision as to whether the Secretary of State wishes to call in this application and trigger a Public Inquiry to review all aspects of this major regeneration scheme.

The proposed sale of the 5.5 acre “Gloscat” college site remains on hold, pending Gloscat’s ability to secure an acceptable fixed price construction tender meeting their secured funding conditions. In the interim, BW will grant access to the site so that they can advance demolition and ground investigation works at Gloscat’s risk.

5.2 Willow Grange, Watford

A strong response was received to the marketing of the property for disposal in November 2004, with over 150 parties expressing their initial interest in receiving information regarding the property. Viewings were carried out on three days during December and January.

Informal tenders for the property have been requested from interested parties by Friday February 11 2005, which will be followed by a period of evaluation.

The search for appropriate alternative premises for BW’s HQ continues, with further investigation of a number of identified opportunities.

5.3 BW Wigan Office

We have agreed terms with our development partner, CTP, whereby the developer will construct a new office building at Wigan Pier Business Park and BW will commit to take the whole of the ground floor for occupation by the North West Business Unit in early 2006.

5.4 Wakefield

Outline planning consent has been granted for the £70 million mixed use scheme proposal from Wakefield Waterfront. Consent has also been granted in outline for the Hepworth Gallery project. It is expected that applications for detailed consent will be submitted in February with a view to works commencing on site in Autumn 2006.

The Grade 2* Wakefield Warehouse is being considered as an office for the Yorkshire Business Unit thereby freeing up Fearn’s Wharf.

5.5 Sowerby Bridge Listed Warehouses

We have recently carried out our post project appraisal in respect of the refurbishment of the two listed warehouses where BW acted as developer in the midst of considerable political interest, not least from the Government Select Committee on BW who, under the Chairmanship of Gwyneth Dunwoody, visited the site. The two buildings were listed as grade 2 (in the case of Salt Warehouse), and grade 2* (No. 4 warehouse), the latter was on English Heritage list of buildings at risk (now taken off), and the former having lain derelict for a number of years.

It is therefore pleasing to report that the refurbishment works have now been completed, and that the whole of the commercial space created within the buildings is either let or under offer.

Whilst the out turn cost was some 7% above the originally approved amount, this has been compensated for by improved rental figures achieved, and an increased grant contribution, and the project has therefore shown a return commensurate with the initial authorisation.

Notwithstanding all the criticism levelled at BW during the early stages of the project, the team have nonetheless stuck to their guns and delivered a successful result and an excellent product .

6. LEISURE

6.1 Leisure Marketing

London Waterways Pass 2005

Following the success of last year's initiative, the London Waterways Pass is being run again in 2005. This pass entitles group travel organisers, tour operators and journalists to free access or discounted bills at participating tourism and leisure facilities along London's network of waterways. This year the list of participating companies has increased from 11 to 14 and includes the new *e bar* by Warwick Avenue underground station, Kew Bridge Steam Museum, The London Canal Museum, Lord's Tour and Walker's Quay cruises.

7. RESTORATION/REGENERATION

7.1 Liverpool Link

The NW Development Agency has agreed a timescale for technical appraisal of BW's funding application – the process to be completed in April 2005.

The latest master plan for Mann island confirms the pivotal role for the link and this has been endorsed by the National Museums, Liverpool. Our MD North is now meeting NML's Director to discuss the overall strategy for resolution of the associated land issues.

English Heritage has met Liverpool City Council (LCC) planners to discuss their fundamental concerns with the City's pier head public realm master plan. BW awaits feedback from LCC on the timescale implications for BW's link planning application.

7.2 Manchester Bolton & Bury

Government Office, NW, have approved the final £2.1m ERDF funding application. All £4.2m of funding is now secured for construction of the first section of canal,

with no BW contribution other than for project development of the further phases of the MBB. Drawdown of funding is now subject to finalisation of the estates agreement with the developer and principal landowner Valley & Vale; the main issue is securing of revenue funding for ongoing BW operation and maintenance (equivalent to £50k pa).

7.3 Wales – Regeneration

BW is taking the lead in organising a major conference in Cardiff as part of the European Crosscut Interreg Programme, which involves projects on the Montgomery and Monmouthshire & Brecon Canals. This will take the form of an official dinner in Cardiff Castle on Wednesday 20 April and a full day conference for around 80 invited delegates on Thursday 21 April in the new Millennium Centre. The event will be funded by the Interreg Programme and will include a keynote speech by the Minister as well as presentations.

7.4 Chelmer & Blackwater Navigation

The Chelmer & Blackwater Navigation, Essex, was continually operated by its original Company of Proprietors from its inception in 1793 until going into Administration in 2003. Streamlining and cost-cutting is in progress in an endeavour to secure the future of the navigation. BW London have been asked to consider what help/advice they can give.

7.5 Bow Back Rivers

Two meetings were held with Defra officials to agree indicative funding required by BW to restore Bow Back Rivers as part of London's Olympic bid. It was agreed that circa £44m was required to restore BBR to the Olympic masterplanners design. On the request of BW a further £20m was requested for a major water control/navigation structure at Prescott Channel to ensure sustainability of the area. Defra forwarded the total cost of £64m to the Treasury and DCMS. These figures should however be treated with caution as detailed estimates have still to be carried out.

Meetings are taking place with the EA to align our interests.

7.6 Upper Lee Valley

The ODPM and Transport for London requested BW to submit a bid for funding to develop a crossing over the River Lee to connect Hale Wharf to the major regeneration area close to Tottenham Hale Station. A bid of £2.5m was submitted to the ODPM's sustainable communities infrastructure fund. The bridge was designed and costed by Jacobs Babbie through a previous grant awarded to BW through the ODPM's Green Spaces and Sustainable Communities Fund. BW will be informed whether the bid has been successful early in the New Year.

7.7 Bedford & Milton Keynes Waterway

Following the decision of the Local Planning Inspector not to recommend the inclusion of the Bedford to Milton Keynes Waterway in the new Local Plan for Milton Keynes, Milton Keynes Council has reluctantly concluded that it cannot include a route for the proposed waterway in the Supplementary Planning Guidance for the Eastern Expansion Area of Milton Keynes. The Council's Cabinet will review the Inspector's Report on the Draft Local Plan before it is adopted in Spring 2005. BW have advised the BMK Partnership that it is not funding any further staff involvement in this project other than occasional partnership meetings. The BMK Partnership still intend to secure the whole BMK route through the planning process and this particular section will now go alongside the M1 rather than through the Eastern Expansion Area.

8. LEGAL

8.1 River Severn Fatal Diving Accident

The Board will be aware from earlier reports that, following the fatal diving accident at Upper Lode Lock on the River Severn, BW was served a Prohibition Notice by the HSE. This Notice (which applied throughout the network) did not prohibit diving but imposed detailed requirements on every diving operation (breach of which is a criminal offence). The Legal Director had serious concerns that the requirements in the Notice were in excess of Health & Safety Law, were ambiguous and in conflict with the Diving at Work Regulations. Indeed there was a fear that the requirements actually created an additional safety risk. On being consulted, our diving experts shared the same concerns.

Accordingly BW entered a formal appeal against the Notice to the relevant Tribunal. The matter was then passed to the HSE headquarters. Following further discussions between the Legal Director and the HSE Solicitor's Office, the HSE have now agreed to a revised form of Notice that answers all our concerns and which will be formally approved by a consent order of the Tribunal.

9. CORE WATERWAY

9.1 Llangollen Canal, Hampton Bank Breach

The Llangollen Canal breached overnight on 6-7 December 2004 at Hampton Bank, approximately 4 miles downstream from Ellesmere. The breach occurred at the end of the embankment where it meets natural ground on the off-side, and at a point where the embankment is less than 3m in height. The Duty Officer was paged at approximately 1.00am by a boater. The call-out team attended with engineering support and stop planks were installed to isolate the section. This was achieved by 4.00am and isolated 1.5km of the canal. During daylight BW staff installed a further set of planks, improved the seal at these and reduced the isolated length to approximately 1.1km. Padlocked barriers were erected to secure the site from members of the public accessing along the towpath.

It is believed that the canal failed following undermining by badgers who have burrowed extensively in the sandy embankment material.

Immediately following the breach, it was necessary to close the Llangollen Canal from the breach to the junction with the Shropshire Union Canal, and the Shropshire Union Canal to Chester in order to preserve the remaining water stock and until a water supply could be reinstated. In addition, the contracted water supply to Hurleston Reservoir for United Utilities had to be interrupted.

No-one was hurt during the incident. Damage to property is limited to adjacent fields and a few livestock casualties.

Work to construct dams either side of the breach and implement a pumping regime was completed by 13 December 2004. This has allowed the wider canal network to be re-opened and UU's pumping operations to be recommenced. Following this, an access has also been constructed to allow for pump maintenance. It is anticipated that these measures will remain in place throughout January. Planning for the permanent repair is well advanced. It is planned that work will commence on site shortly to allow re-watering in time for Easter cruising. (See also Operational Project submitted for the Board's approval).

9.2 Sharpness Docks

Tonnage at Sharpness is now more than 21,500 tonnes ahead of the previous year reflecting the increase in trade brought about largely through increases in timber shipments from Portugal and the Baltic region. SDL have also received HSE approval for the increase in the on-site holding of ammonium nitrate to 15,000 tonnes from the previous 10,000 tonnes. This provides a boost to the fertiliser processing tenant which operates around the North Warehouse.

9.3 Carmuir's Tunnel

Following the collapse of the portal to Carmuir's Rail Tunnel on the Forth & Clyde Canal in November 2002, Network Rail have confirmed that it is their intention to carry out final works, starting on 19 January 2005 and finishing by 4 March 2005. This work will take place within the overall planned stoppage period.

9.4 Freight

British Waterways is close to signing the Transport for London funding grant of circa £720K which will be used to facilitate freight by water on west London's canals. This will enable dredging works, the construction of a winding hole to improve efficiency of the current freight contract for moving aggregates (Harleyford Hanson) and the development of a wharf at Old Oak Sidings at Willesden.

The Old Oak Sidings wharf development project has been fast tracked as a result of the current tenant requesting to vacate the site. Powerdays (waste operator) will now be in a position to gain full access to the entire site by the end of March 2005. This freight project has the potential to see up to 750,000 tons of material transported to the Old Oak Sidings waste and recycling facility by water by 2010.