

MEMORANDUM TO THE BOARD

CHIEF EXECUTIVE'S REPORT – JULY 2008

1. STAKEHOLDER RELATIONS

1.1 Meeting with Jonathan Shaw, M.P.

The Chairman and I met with the Minister on the 7 July in advance of the publication of the KPMG report before the recess. The Minister welcomed the Board's pragmatic approach to it. He acknowledged there might be some calls for Government to 'plug the gap' but felt most stakeholders would accept that BW and Defra were working together to find a long term sustainable solution.

1.2 Efra Committee report

The report into BW's role in regeneration and restoration with particular reference to our decision to withdraw from the Cotswold Canal Partnership was published on 1 July. Copies of the report and associated press material were circulated to Board Members. The content (as we predicted) majored on the fact that the benefits of regeneration and restoration accrued mostly outside BW and that therefore those who benefited should pay and take the risks involved. The report also accepted the need for BW to give priority to the existing network under the terms of the 'strategic steer' from Defra.

Whilst those who do not agree with the Cotswold decision will pick up on the report's more minor comments about consultation on our decision to withdraw and the level of spend involved in commissioning KPMG, we were pleased that the report did not question the decision or call for it to be reversed.

Defra are also pleased with the way the report has come out.

1.3 Inter Departmental Working Group

The second meeting of the IDWG took place on the 18 June chaired by Jonathan Shaw. The Departments of Health, Transport, Children Schools & Families, Local Government & Communities, DCMS, BERR and Welsh Assembly were represented. The meeting was useful in attracting a high level civil servant dealing with the Community Infrastructure Levy in DCLG. Although no concessions were won at the meeting, a very useful contact was made and we have had follow up discussions.

1.4 Scottish Government

The improved communications programme with the Scottish Government is working well. The BW/SG high level meeting in mid May resulted in general agreement that work on transparency and the BW investment delivery plan for Scotland had been progressed well by all sides and the next step was to update the Financial Memorandum. The next BW/SG high level meeting is scheduled for 16th September.

A new style Quarterly Update report for the Scottish Government was well received at the BWS quarterly update meeting with SG civil servants in June. The report more effectively reports BWS performance against its business plan within the overall context of the Scottish Government's outcomes focussed approach to performance. In Scotland at central and local government levels, all performance management systems have been aligned to a single, clear and consistent set of outcomes with results which reflect real and meaningful improvements in public services and quality of life for people in Scotland.

1.5 British Waterways Scotland Group

The following new members have joined the British Waterways Scotland Group:

- Ron Hewitt - Chief Executive of the Edinburgh Chamber of Commerce
- Ronnie Rusack - currently Chairman of Seagull Trust Cruises and prior to that the Owner/Operator of The Bridge Inn as well as being a volunteered advisor to BWS
- David Hastings - A development & regeneration professional with 20 years cross-sectoral experience. Currently Executive Director at Strathleven Regeneration Company Limited
- Andrew Gordon - Chief Executive of the Canmore Partnership Limited, which is a specialist PFI/PPP company.

1.6 Welsh Assembly – Public affairs

The Royal Welsh Agricultural Show runs from the 21st to 24th July and is a key event in the Public Affairs calendar in Wales. The Deputy First Minister who is our portfolio holder has agreed to meet with us at the show on the 22nd July and this is an opportunity to raise our issue regarding future years funding of the canal repairs. The Minister, Ieuan Wyn Jones AM (Plaid Cymru coalition leader) has been difficult to meet with due to the extent of the responsibilities he has taken on since last May.

Rhodri Morgan, First Minister, has agreed to launch the completion of the Powys Canal Tourism project at the RWAS.

The Minister for Heritage and Tourism will open the inaugural meeting of the Strategy Action Group for the Monmouthshire & Brecon Canal on 2nd July 08. This meeting is focussed on supporting funding bids for the repairs to the canal.

Following a tender process we have appointed an Assembly monitoring service provider which will assist in our PA information and planning.

1.7 Inland Waterways Advisory Council (IWAC) Visit

The Inland Waterways Advisory Council (IWAC) visited the Chesterfield Canal Partnership on 4 June. The Partnership is seen by IWAC as a best practice model of partnership and cross boundary working, which could potentially be replicated elsewhere. The General Manager was in attendance during the day and evening dinner.

1.8 Ministerial visits

We have arranged Olympic boat trips for Margaret Hodge, DCMS minister, and Anne McIntosh, Shadow Defra Minister holding waterways responsibility, in this period. These trips continue to be a powerful way of 'selling' British Waterways to key stakeholders.

1.9 Briefing Labour MPs close to the waterways lobby

Meetings have been held by me and/or Simon Salem with Charlotte Atkins, Linda Waltho and Bob Laxton (who chairs the Parliamentary Waterways Group and is a boating customer).

1.10 Briefing opposition MPs

We continue to maintain relationships with the Conservative team. Following Robin Evans' meeting with Anne Macintosh (who holds the waterway responsibility) her office is now seeking another meeting to keep up to date on strategy.

We are also taking Teresa Villiers, Shadow Transport spokesperson to the Olympic site on 16 July.

1.11 Annual Meeting - Wednesday 8 October 2008

This is taking place in central Birmingham. Board members should already have received a 'diary date' email. This year, we will be taking the opportunity to start the wider strategic debate with our core waterway stakeholders. We will hold the traditional annual meeting in the morning and after lunch (and networking) there will be a panel session on '*Waterways in the 21st century*'. The panel will include Carole Souter (HLF Chief Executive) and also consist of Tony Hales, John Gummer, Richard Fairhurst (Editor, *Waterways World*) and another invitee yet to be confirmed.

1.12 BWS Annual Meeting 2008

The BWS Annual Meeting and other partnership working meetings will take place on 16th September 2008 at The Point Hotel, Edinburgh. The BW/SG High Level meeting will take place in the morning. The Scottish Canals Development Group will meet for a working lunch. The BWS Annual Meeting will be held at 3pm followed by an MSP reception in the Garden Lobby of the Scottish Parliament from 6.00pm to 8.00pm. The Transport Minister, Stewart Stevenson, MSP has agreed to address the MSP Reception.

1.13 Community Infrastructure Levy (CIL)

Simon Salem has met and briefed Paul Richards, Special Political Advisor to Hazel Blears, Secretary of State at DCLG. The meeting allowed us to explain our needs and concerns with regard to the regulations being draw up shortly for the implementation of CIL.

On the same topic, Simon Salem and Heather Clarke (Head of Planning) have also briefed Clive Betts (who chairs the APG on Urban Development) is MP for Sheffield (Attercliffe) and who was the guiding spirit behind amendments to the Planning Bill recently. He has offered to discuss BW's case with John Healey, the minister responsible for the Bill.

We are planning meetings with the DCLG team implementing the Bill as well as other bodies with similar interests (e.g. Network Rail).

1.14 Town and Country Planning Association (TCPA)

As part of our communications strategy relating to influencing funding from local authorities, British Waterways has become a corporate member of TCPA. As well as access to TCPA contacts to help with lobbying, the membership includes an agreement to publish a TCPA- badged piece of research on the value of waterways in planning terms.

1.15 Welsh Language Scheme

The Welsh Language Act states that all public bodies providing services to the public in Wales have to prepare a Scheme setting out how they will provide those services in Welsh. We published our Scheme on 2 April 2007.

Since publication, senior managers have been briefed on their role in implementing aspects of the Scheme and have helped to produce an Action Plan, which has been agreed with the Welsh Language Board. The Action Plan states how we will comply with the Scheme and who is responsible for each aspect in the business.

The Scheme has been widely promoted internally and a scoring system has been introduced to assess whether documents need Welsh translation prior to publication. A greater amount of Welsh language has been introduced on our websites. We have also included it in our new customer service standards: 'BW can communicate with customers in Wales, in the Welsh Language'. We are looking at our IT and customer contact systems to see how we best record and action requests for communication in Welsh in the future.

The Action Plan has been reviewed with the Welsh Language Board twice since implementation, and they have been very positive about our progress.

1.16 The Waterways Trust

The refreshed museum in Gloucester reopened at the end of May.

1.17 Corporate Affairs, London

In London the biggest news in this period has been Boris Johnson's victory over Ken Livingstone to become Mayor of London. Initial indications are that the new administration views BW and the waterways in a positive light. Tony Hales has written to the Mayor to offer a meeting and we have followed this up by briefing the Mayor's environmental advisor. We have provided a package of opportunities for the Mayor to get involved in which has been well received and we have asked the Mayor to help launch the Olympic waterbus story in August. Mark Bensted has also met the Mayor briefly.

We are promoting BW's involvement in this month's London Festival of Architecture. Boat trips to the Olympic Park were featured in local papers, with several trips sold out.

2. MARKETING & CUSTOMER SERVICE

2.1 Customer Service Standards

An advisory panel is to be established to assist in the future development of standards. This will comprise nine customers (three boating trade, three private boaters, three non-boaters) and three BW people. The group will be chaired by Simon Salem.

The first comprehensive quarterly report on performance against these customer service standards, including the results of mystery shops, will be available week commencing 21 July.

2.2 Volume of visitors and visits

Average no of unique visitors per two week research period, Jan to May 2008 – 3m (2007 – 3m). 2008 has proved more consistent across the research periods whereas 2007 spiked from month to month. Results of the ‘Yours to enjoy’ campaign are expected to show through from July onwards.

The number of visits Jan to May 2008 – 97m (2007 – 98m)

2.3 ‘Yours to enjoy’ campaign

Twelve destinations across the country have been promoted across May, June and July. New destinations this year include Edinburgh, Liverpool, Stoke and East London.

Door drops have been delivered to 1.5million households located close to our destinations and a combination of: billboard posters; telephone box advertising; video-screen short adverts on commuter trains; and promotion staff have been used to change people’s perceptions about their local canal or river and persuade them to use waterways as part of their everyday life.

Early research results indicate that awareness of advertising doubled after the campaign had launched (as it did for the October campaign), and likelihood to visit increased. 35% of people said they were more likely to visit their local canal or river after seeing the advertising. 83% liked the advert and thought it created a positive image of canals. A second phase in August will see mini-door drops supported by outdoor advertising across a number of these destinations.

2.4 Complaints data – April to June 2008/09

During quarter one 2008/09, 142 complaints were received compared with 192 in the same period last year (- 26%). Of these, 123 were first level (local) complaints dealt with by a general manager, or the relevant senior HQ manager. The remaining 19 complaints were elevated from the first level and dealt with at the second level by a director.

98% of first level complaints were responded to within the standard of fifteen working days. The current standard for second level complaints is also fifteen working days but this is less easily achieved and directors often seek complainants’ agreement to an extension. The average no of days for responding to second level complaints in the period was twenty-three working days.

In June, the Waterways Ombudsman met me for a discussion on complaints and cases that she had dealt with during the year to March 2008. Her report for that period will be published shortly.

2.5 Media Summary

We have introduced an email news round-up which is circulated to board members, executive directors, senior managers etc each week so we have drastically shortened the media summary previously offered in the Board papers. The weekly email round-up is not intended as a complete list of all coverage, but rather as an easily digestible overview of both the positive and negative media coverage each week as well as highlighting upcoming stories.

There has been some excellent coverage in the national and regional media over this period with highlights including a feature on Prescott Lock in The Times, coverage of the wildlife survey on BBC Breakfast and the Today programme and a feature on Stoke Bruerne on Radio 4’s *You & Yours*.

On the negative side, the tragic incident with the young girl losing her legs in an accident in the North West received widespread coverage in all the main national and regional media. We have put in place arrangements to make sure that the Board is informed in an appropriate and timely way of likely or actual media interest in any similar instances in future.

3. SAFETY & RISK

3.1 Bridgwater & Taunton Canal – Embankment Leak

Recent inspection of Lyng Embankment on the B&T Canal identified a number of potentially very serious leaks in the embankment. On the advice of the Head of Geotechnics we lowered the water level and shut the section of canal for three weeks whilst we monitored the leaks and undertook further investigation works. Having satisfied ourselves the leaks were top leaks we have reopened the canal with a monitoring regime in place whilst we develop repair solutions.

3.2 Worcester & Birmingham Canal – Leak

A major leak occurred on the Worcester & Birmingham canal when elm boards over a previously unknown bed valve failed around the afternoon of Sunday 18 May. Within 100 hours: customers were notified, access negotiated, the leak isolated, a repair designed and works completed allowing the canal to reopen before the bank holiday weekend. There has been subsequent positive feedback including a boat hire business who emailed the GM saying, “...*the way that the stoppage was handled was extremely professional with great commitment from all your staff.*” Waterway Customer service Award nominations followed and key personnel involved were the June winners.

3.3 Waterway Operatives attacked by Boater

On Friday 20 June a drunken boater attacked two North West waterway operatives and vandalized a BW vehicle. The police were called and the boater was arrested then released on bail. Both colleagues are currently absent from work due to their injuries. The local team is currently working with legal and central teams to investigate the potential revoking of the cruising licence.

4. LEISURE

4.1 Foxton Festival

Foxton Waterways Festival took place at Foxton Locks over the weekend of 14 and 15 June.

The event was organised by the Foxton Locks Partnership to celebrate the completion of a three year, £3m project backed by the Heritage Lottery Fund. The project has included the restoration of the upper canal arm, installation of a viewing platform over the inclined plane, refurbished footpaths and new interpretation.

The festival was open to all with entertainment on offer including historic boats and boat trips, guided walks, costumed characters, children’s activities, stalls and a variety of delicious food.

The weather was excellent and along with MEP Roger Helmer and HLF’s Emma Syers, I cut the ribbon to declare the upgraded site officially open for business.

4.2 Moorings tender trial

Vacancies continue to be advertised successfully, with average price premiums fluctuating between 14% and 19%.

The aggregated data from the completed tenders is providing helpful insight into the relative demands from the market for different types of mooring site and different regions.

4.3 Licence Enforcement

The additional resources earmarked in this year's business plan for West Midlands and South East business units are in place and beginning to contribute to a higher level of action against evaders.

Consultation on the introduction of a Late Payment Charge has been completed with more or less complete support for a charge. The project to make the necessary SAP changes has begun and we expect to introduce the Charge for licences renewing in December. A '*Licence it or lose it*' campaign has been tested in East Midlands and will be rolled out in the autumn in association with the introduction of the Charge.

4.4 New Marinas Unit

Despite the economic situation, interest in developing new marinas continues to be high at least for the time being. 23 new Expressions of Interest have been received so far this calendar year. We currently have 124 live applications at various stages in the process accounting for a potential 19,500 new berths.

In the last 12 months 9 marinas have opened providing 1516 new berths. At present, these continue to fill well with boats.

In some parts of the network we are beginning to experience water resource limitations although to date with assistance from the Hydro Team at Hatton and Directors approving additional risk calculations we have not had to refuse any applications.

4.5 Crick Boat Show (24th – 26 May)

This is the second year that REM, our event management partner, has delivered the Crick Boat Show and the third year that we have had torrential rain during the bank holiday weekend! Whilst the show organisation and content is judged by both exhibitors and visitors to have worked well in trying circumstances, the day ticket revenue of £33k Saturday, £12k Sunday, and nothing on Monday gives an indication of how the weather impacted on the show. These total gate receipts (£45k) compare to last years' £63k and an assessed 'good weather' potential of £75-80k. As a result of the weather impact there is likely to be an overall loss in the region of £30k.

During the Show we picked up a sense of nervousness amongst the boat builders particularly. A number of smaller operations are struggling and well established operators such as Sea Otter (Derbyshire boat builder) have reached the point where they have ceased to trade.

4.6 Lincoln Customer Service Facilities

Improvements to customer service facilities at Lincoln moorings on the Fosdyke Navigation were officially opened in May. The works have involved the demolition of an existing toilet block with a new facility boasting a full range of amenities including toilets, showers, a laundry and waste disposal facilities built in its place. The works were funded by Lincolnshire Waterways Partnership (£250k).

The previous configuration of the site required boaters to walk through the British Waterways operational yard in order to access the facilities. The improvements have also incorporated a designated walkway along the Fosdyke which has enabled segregation of the site allowing boaters to walk between the facilities and their boats in safety.

4.7 Liverpool – Balloon attraction

Heads of Terms have now been agreed with Lindstrand Balloon Technologies for a hi-flyer balloon attraction which will be sited in Salthouse Dock in Liverpool. The company is owned by the record breaking aeronaut, Per Lindstrand.

Projected annual visitors to this high profile attraction in its first year commencing April '09, are estimated to be at more than 50k. This will be British Waterways first major leisure development in support of Destination Liverpool.

4.8 Anderton

The Visitor Centre has been recognised as the leading attraction in the Cheshire area for 'Access for all' at the Visit Chester and Cheshire annual award Ceremony on 6th June. The judge commented "The winner is a great example of how a historic feature in complex terrain can be made accessible to a wide range of visitors. The site stood out from the other contenders as a winner".

4.9 Towpath Ranger, London Canals

A Towpath Ranger position is being advertised internally. The role will support the work of the Business Development Team in managing the conflict between cyclists and pedestrians and promoting the Two Tings message to towpath users in London. The post is fully funded by Transport for London and will be advertised externally from 6th July if there are no internal applicants.

5. PROPERTY

Crossrail – London Docklands

Discussions with Crossrail have been concluded and the Bill is on target to receive Royal assent before parliament rises for the Summer Recess. Canary Wharf Group will construct the station on the Isle of Dogs and are in close discussion with us on construction methodology. The construction will produce considerable quantities of spoil with opportunities for revenue generation for BW. Public consultation on the proposed station oversite development will begin on Friday 11th July prior to a planning application being made to the local authority. British Waterways has been briefed on the form of development designed by Norman Foster. Subject to agreements being in place, construction of the station box should commence in August this year.

6. RESTORATION/REGENERATION

6.1 Stoke Canals

The Canals Project Officer, funded through the Big Lottery Fund Reaching Communities, has now been appointed and is working in the Stoke area. The post over the next three years will facilitate community action in the area and will build on the successful Connecting Route ways which undertake the regeneration of the towpaths through the city.

6.2 Canals in Wales

After discussion with External partners, a new strategic approach to the waterways in Powys called 'Mid Wales Waterways' will directly link the Monmouthshire and Brecon canal with the Montgomery Canal. It is hoped this overarching approach will unlock funds to both schemes rather than acting in direct competition with one another. Powys County Council – a key LA - have embraced this concept and would like to launch the new framework at the Royal Welsh Show in July.

6.3 Victoria Embankment – Sustainability

Nottingham City Council agreed to negotiate a new 21 year access agreement with BW for the towpath on the Nottingham and Beeson Canal and for the Council to be responsible for the multi user path on the Victoria Embankment extension. At current rates this will require a contribution from them of £20k per annum for maintenance costs.

6.4 Tees White Water Course

Lord Coe was welcomed to the Tees Navigation by the Chairman and General Manager of the Yorkshire Business Unit, to view the operations as well as the newly planned water course. We received the LOCOG certificate to confirm we have been chosen as one of the national training camps sites. Sports England hosted the visit and a selection of water sports activities were displayed along the river. Lord Coe expressed pleasure at seeing the possibility of at least one Olympic Standard canoeing course being available *prior* to the Olympics.

7. CORE WATERWAY

7.1 Blue Green Algae – Tring Reservoirs

The South East Waterway is continuing with blue-green algae management at Tring Reservoirs. We have barley straw in three of the reservoirs as a control measure. The automatic water quality monitoring station is on hire to monitor water quality in the Wendover Arm, using a 24-hour alert system. Weekly algae analysis is carried out in the reservoirs, to enable effective decision making. These measures are all the same as those undertaken last year. This year, we are also undertaking monthly analysis of reservoir nutrient levels to find out more about the cause of the problem, along with a study to determine whether stratification of the waterbodies is a contributing factor. We are also trialling a 'zooplankton refuge' to try and find longer-term biomanipulative control measures for the algae problem. So far this year there have not been any blue-green algae blooms or water quality problems.

One complication is that the police have advised us not to store hydrogen peroxide (used to improve water quality to enable us to supply the canal at critical times), because of potential theft by terrorists. We will therefore be relying on prompt delivery by the supplier if water quality problems occur and we cannot avoid pumping. The effectiveness of this arrangement will be monitored during the summer.

7.2 Control of Aquatic Weeds

We have been approached by John Innes who are keen to undertake research into developing a weed-killer that will more effectively deal with Floating Pennywort. We will update as this progresses.

7.3 Gloucester & Sharpness Canal – New Operating System

In November 2007 we introduced a new traffic light operating system on the G&S Canal. The system has been unpopular with users and we have received a significant number of complaints since boats started moving in earnest at Easter. One of these progressed to Level 2 and was investigated by Simon Salem, who asked Tony Stammers to undertake an independent safety review of the system. Simon's conclusion was that the new system was no less safe and that we should continue with the current system and review it at the end of the season. We are meeting the MCA on 2 July to discuss the new system with them.

7.4 Kennet & Avon Canal – Lock Operations

In April we launched a consultation into the K&A Canal Lock Operations. It is proposed that the locks at each end of the canal are staffed such that unlicensed craft are not allowed onto the canal. Outside of the staffed hours it is proposed that the ends of the canal will be locked. This is clearly a subject close to the heart of many of our customers as to date we have received 120 emails and letters on the proposals.

7.5 Castle Marina Footbridge, Nottingham

Planning permission has been gained for the installation of a replacement bridge on the Nottingham Beeston Canal to ensure DDA compliance and accommodate a new much used path. The footbridge will be externally funded and Nottingham City Council as financial partners and contributors are undertaking the detailed design and contract preparation and delivery of the works subject to compliance with our brief.

7.6 Richmond Hill Retaining Wall, Macclesfield Canal

Phase 1 to stabilise the existing wall immediately either side of the collapsed length has just been successfully completed by Morrison Construction. Estimated outturn cost will be approximately £115k. Phase 2 of the project to repair the collapsed length is currently in preparation and is planned for winter 08/09 and will require a lengthy navigation stoppage due to the site constraints. Furthermore, the finalised Principal Inspection on the remainder of the wall has recommended that the 200 linear metres of high retaining wall in this locality is re-pointed and buttressed at regular intervals which based on current estimates will be circa £1M.

7.7 Water Resources

In June reservoir holdings on the Peak Forest and Macclesfield Group and Leeds & Liverpool Canal Summit Group fell below water resource risk lines which our hydrological unit applies to them. In the case of the former below the 10% risk line and in the latter the 25% line. The 25% risk line represents a 1 in 4 risk of closure this year. Conservation measures have been put in place and our key B2B partners alerted. There has been a slight improvement in the past week. Elsewhere across the network the position is marginally worse than last year but with no serious issues.

7.8 Freight

The Yorkshire Business Unit hosted a successful on-board freight craft visit by Julian Brazier MP (Shadow Transport). We were able to illustrate the difficulties and opportunities of running a commercial freight business.

A handwritten signature in blue ink, appearing to read 'REMS'.

ROBIN EVANS

July 2008