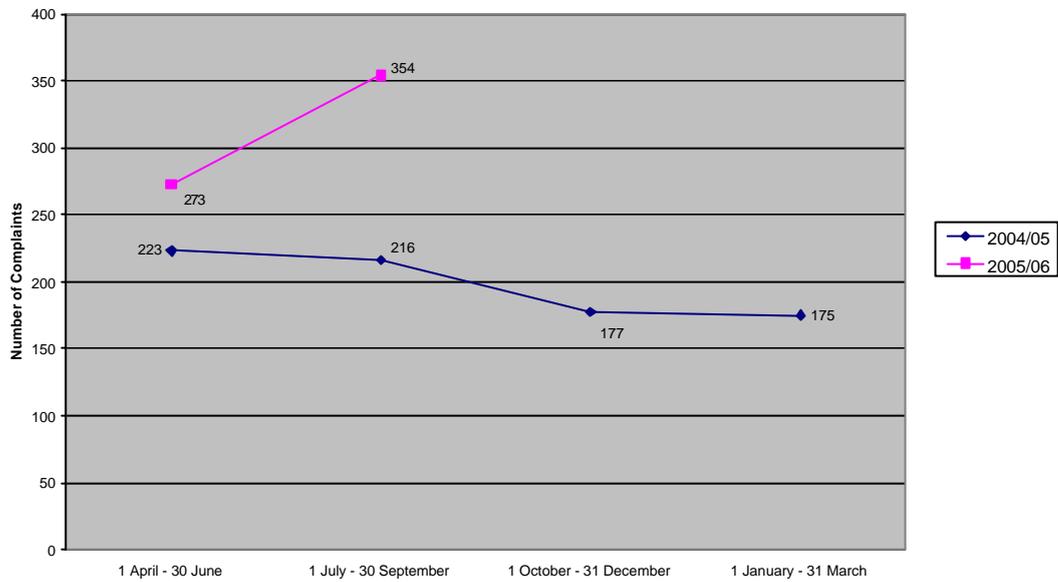


BRITISH WATERWAYS
CHIEF EXECUTIVE'S BRIEFING PAPER
NOVEMBER 2005

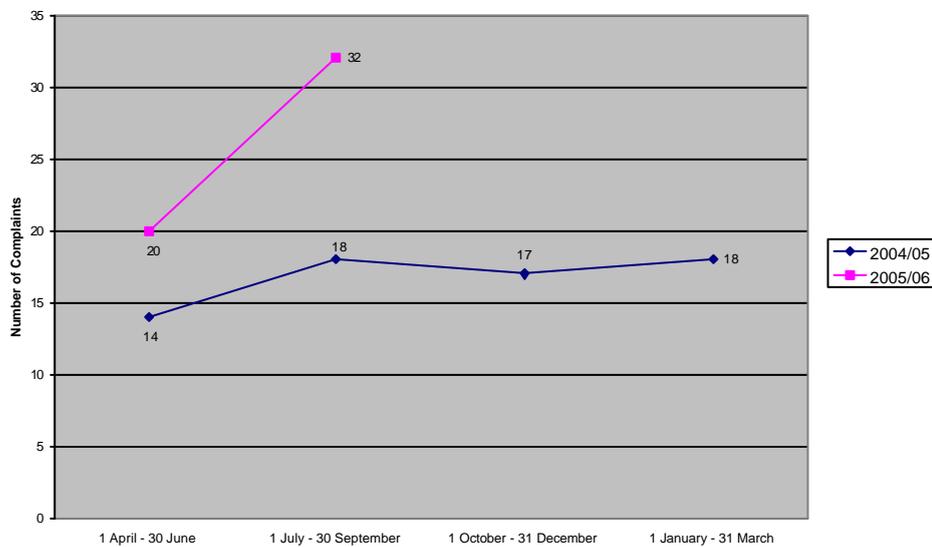
1. STAKEHOLDER RELATIONS

1.1 Complaints Quarter 2, 2005/06

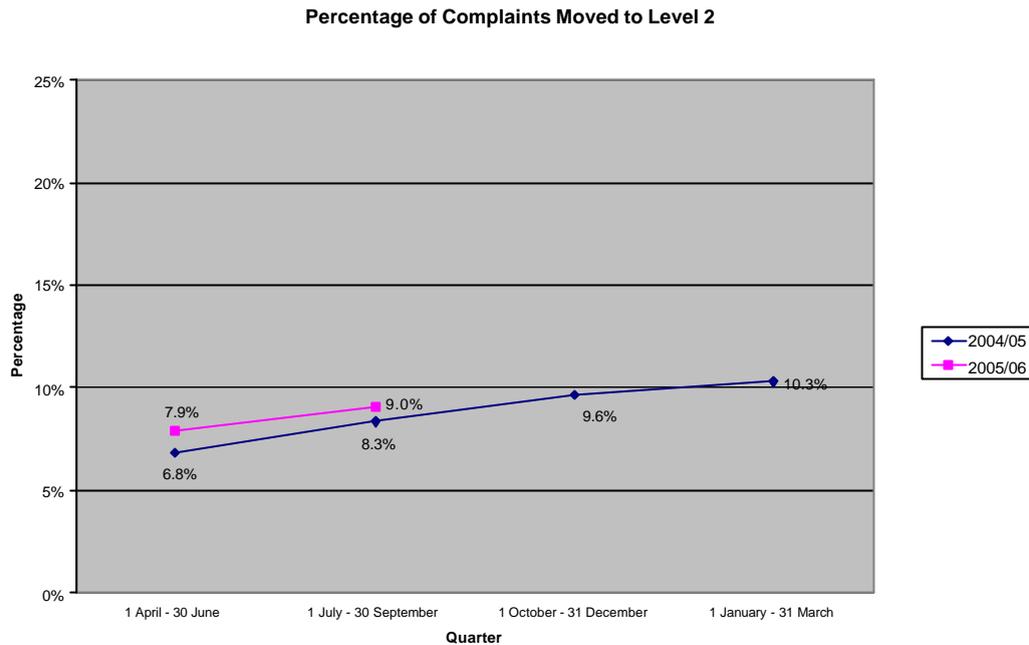
Number of Complaints per Quarter



Number of Second Level Complaints per Quarter



1.2 Percentage of Complaints Moved to Second Level



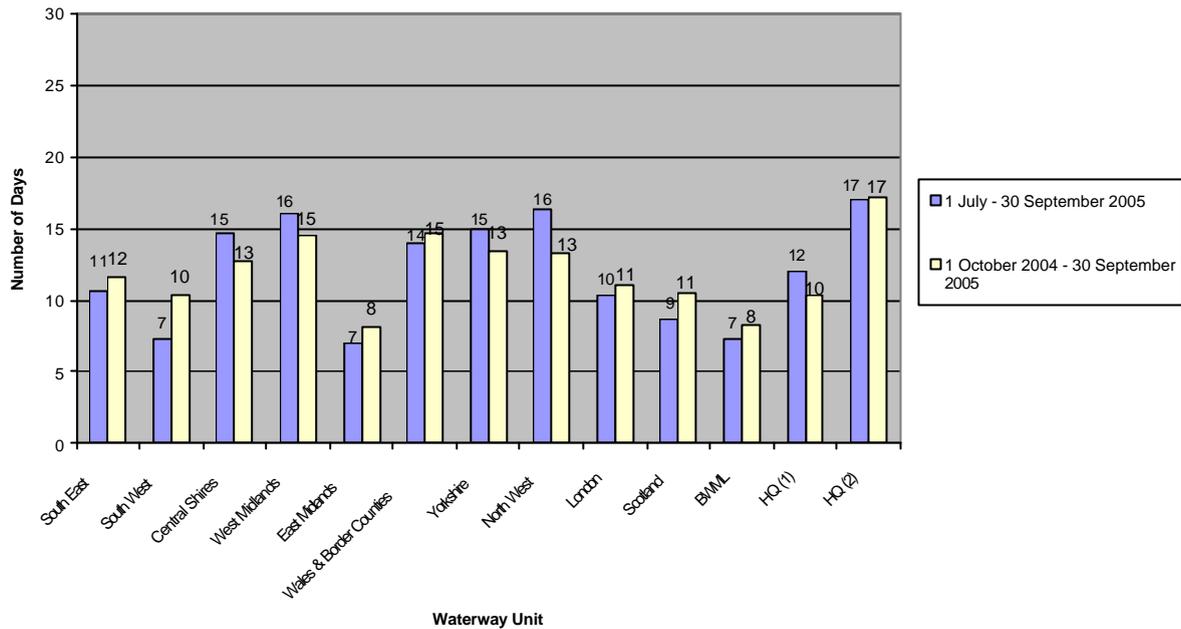
49% of all complaints handled during Q2 were recorded by only two units, South West and West Midlands. In the case of South West, a large number of these complaints related to problems with modified lock gearing on the Kennet & Avon Canal. A publicised programme of actions to address these problems has led to a gradual decrease in dissatisfaction in this area. Reports of incidents of anti social behaviour on West Midlands waterways have increased leading to the high number of complaints handled by this unit. These incidents are being mapped and the Unit is actively seeking help from the police and other agencies to curb these incidents.

1.3 Individual Performance – Response Rates & Complaints’ Volume

1.3.1 Average Number of days from Acknowledgement to Response

Improvement in the time taken to formally respond to complaints at the 1st Level is mixed, with seven reporting units showing a positive trend over the last quarter when compared with average annual data. Five units show increases in the average number of days taken to respond to 1st Level complaints, when compared with the annual average. This is likely to be caused by the high level of 1st Level complaints handled during Q2, and we will monitor these trends carefully over the remaining two quarters of 2005/06.

Number of Days from Acknowledgement to Response



1.3.2 Completion rates per Reporting Unit (Q2)

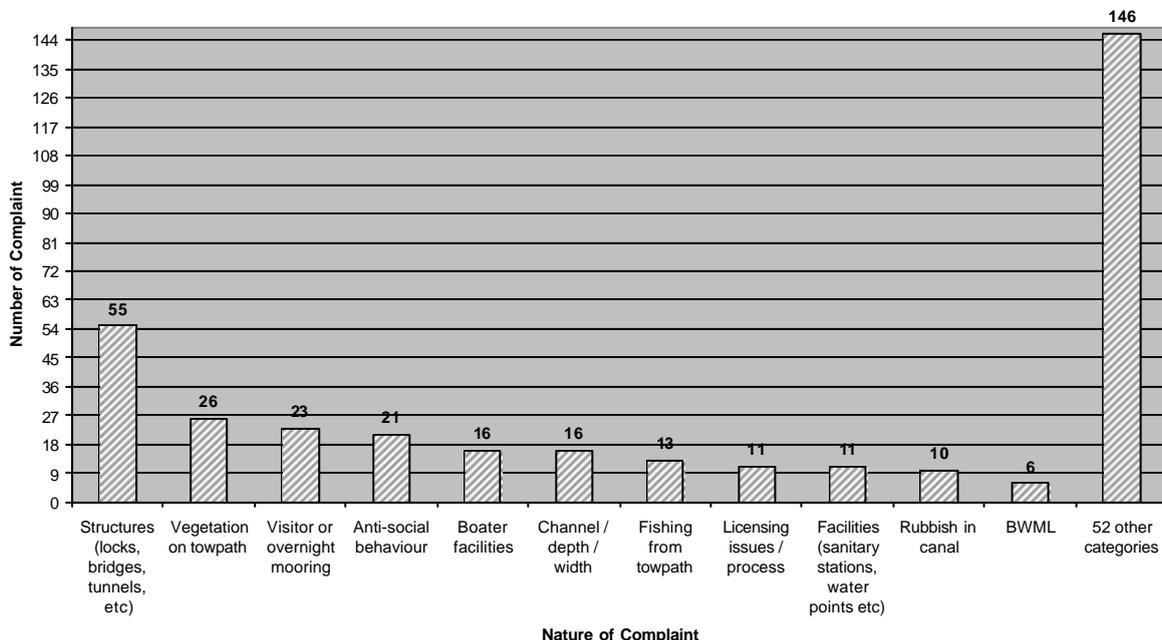
Overall, 96.3% of all complaints were answered within 20 working days, compared with 95.6% in Q1 and 90.4% during the whole of 2004/05. This is our best quarterly performance achieved at a time when the number of complaints has risen. While this improvement is welcomed, we still firmly believe we can achieve our target of 100% of all complaints answered within 20 working days.

Seven units – South West (1), Central Shires (6), West Midlands (1), Wales & Border Counties (1), North West (1), London (1) and HQ 2nd Level (2) have recorded complaints that have taken more than 20 working days to be responded to. There were four reporting units in this position in Q1 2005/06.

1.4 Complaint Areas

1.4.1 Nature of Complaint – 1 July 2005 – 30 September 2005

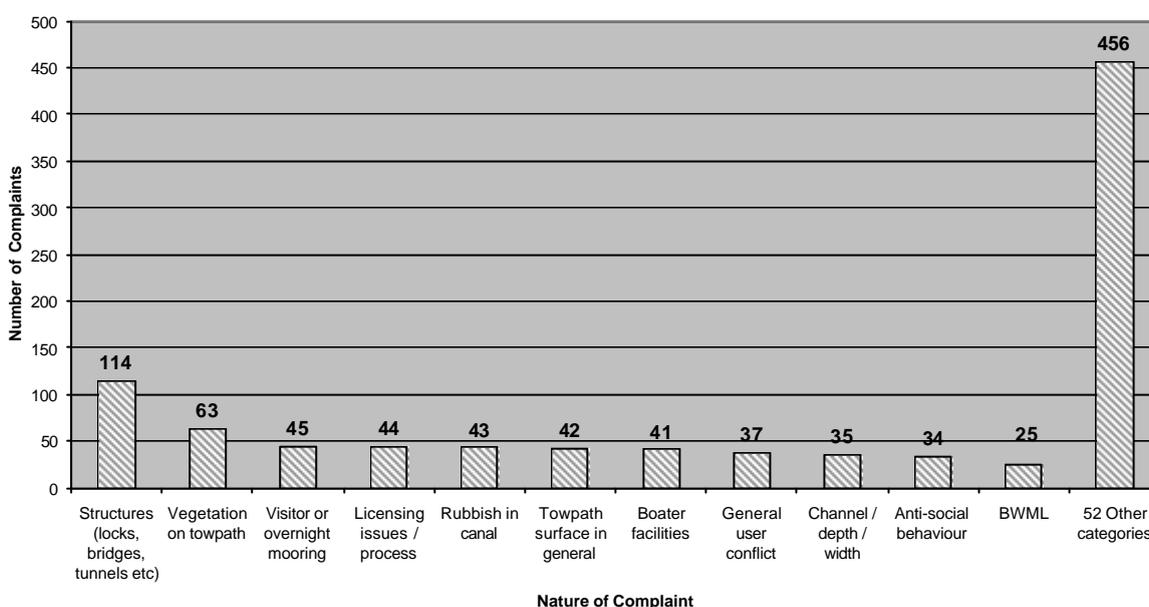
Nature of Complaints - 1 July - 30 September 2005 Top 5



Complaints concerning structures (locks, bridges, etc) again feature most frequently in this quarter's report, and when compared with data for the last four quarters, the top three most complained about subjects remain consistent (structures, towpath vegetation, visitor or overnight moorings). Our ongoing work on revising Waterway Standards coupled with our focus on boats and boating is expected to produce positive results in these three areas.

1.4.2 Nature of Complaint – 1 October 2004 – 30 September 2005

Nature of Complaint - 1 October 2004 - 30 September 2005



1.5 Customer Insight Programme

The executive team met again on 14 October to decide on next steps for this programme. It has agreed that this is a major programme of change for BW over the next two years and that a programme board led by Simon Salem supported by James Froomberg, Vince Moran and Jim Stirling will now draw up a detailed project plan which will cover:

- delivering service standards
- defining destinations
- culture change programme
- internal communications
- quick wins.

1.6 British Waterways Advisory Forum

The first full meeting took place on 11 October at DEFRA's offices in London. In total 22 user group members attended, along with BW's Chairman, Chief Executive, Marketing & Customer Services Director and External Relations Manager.

Topics discussed were: restoration strategy, waterway standards, capacity & congestion and consultation processes. The meeting was useful from both sides of the table, with clearer understanding of strategic issues achieved as a result of discussions.

1.7 British Marine Federation

Following extensive discussions (meetings with Fair Trading Group and Chairman) and correspondence, BMF changed their minds and decided not to participate in preparation of the Code of Practice and OXERA review because we cannot agree on the legal position

We believed it was important to explain this change of position to our marina and boatyard customers and the waterway media. We sent out a briefing on 9 November. All Board Members were sent a copy. We are continuing to work up the Code of Practice and implement the OXERA review as a matter of urgency. There will be an update on the position at the Board Meeting.

1.8 Angling

Our angling customers, represented by NFA and NAFAC have become increasingly concerned about progress in implementing the angling strategy agreed with BW in 2001.

Simon Salem has held a number of robust and useful meetings with the groups concerned and Directors have agreed an updated version of the strategy which we believe will deliver the customer contact and service the angling groups want on the ground and will in turn stimulate the angling clubs to play a more positive role in the relationship with BW.

A further meeting with NFA and NAFAC to progress the proposal is planned for 7 December.

1.9 Licence Fee Structure Consultation

This consultation closed on 30 September, with 485 responses received, of which seven responses were from national user groups. There was almost universal rejection of our proposal to charge Continuous Cruisers the Higher Rate tariff, while views were mixed concerning the re-application of the Higher Rate for boats where the rights to use the vessel are managed through a business or legal agreement.

A draft of our proposed way forward (dropping the Continuous Cruiser proposal and implementing the shared boat ownership proposal) was presented to national user groups at a meeting on 27 October, where useful feedback was provided. We will now complete our report and issue it to all respondents to the consultation.

1.10 Public Affairs – Relationships with MPs

Our programme of one to one informal briefings of useful back bench MPs continues with meetings arranged between Simon Salem and Edward Garnier and John Gummer. There are 6-10 other briefing sessions currently being arranged.

The second edition of our newsletter for London MPs and other stakeholders was issued in November and we continue our programme of briefings to GLA members and others.

1.11 Media Relations

An interview with Robin Evans appeared in “*The Times*” Public Agenda supplement on 25 October. The theme of the article was ‘maximising public benefit through innovative use of public assets’ and explored BW’s various business activities that are contributing to the vision of becoming largely self sufficient.

Coinciding with Halloween, coverage was achieved in “*The Times*” with ghost stories from the waterways used to highlight BW’s objective of growing visitor numbers and interest in the waterways in general.

Our planned heritage awareness campaign highlighted in my last report achieved wide spread regional and local coverage.

1.12 British Waterways Scotland – Annual Meeting

On 22nd September, immediately prior to the BW Scotland Annual Meeting, the Chairman, Campbell Christie and Jim Stirling met the new Minister for Transport, Tavish Scott, MSP. He was briefed on how the canals can be developed for the benefit of Scotland.

The Minister then attended the BW Scotland Annual Meeting, giving an address and taking questions. Feedback suggests the meeting achieved its objective. Whilst the number of attendees was lower this year, interest remains strong. There was also the welcome announcement by the Minister of some £3 million additional funding this year.

1.13 Michael Martin’s Visit to Port Dundas Works

The Rt. Hon. Michael J. Martin, MP, Speaker in the House of Commons, has visited the Port Dundas site. During the visit, Jim Stirling suggested that he might be able to persuade the project partners to name one of the locks “Speakers Lock”. The suggestion was well received by Mr Martin.

2. RISK ISSUES

2.1 Boat Sinking – Forth & Clyde

On 29 September, the boat “Ruffed Grouse” from the Capercaillie Cruisers Holiday Hire Boat Company, owned by Hamish Leal, sank on the Forth & Clyde Canal, between Marrano Street footbridge and Firhill Bridge. The two holidaymakers on board managed to escape without injury. A report on this incident has been compiled and will be passed to Richard Millar and George Ballinger. The outcome of the inquiry indicates that the weed box securing bracket had not been replaced, causing the boat to sink.

2.2 Bird Flu

VISA (owners of the Sheldon Square building, Paddington) have expressed concerns that having BW based in their office puts them at a higher risk regarding bird flu as we come into contact with wild water fowl. We have advised them that we put them at no higher risk regarding bird flu than any of their own employees. BW is following Defra’s guidance and our internal document ‘Disposal of Carcasses’.

3. STRATEGIC PEOPLE ISSUES

3.1 Senior Manager Changes

Director Scotland: Steve Dunlop, Regeneration Director, Newcastle City Council will commence as Director, Scotland in early 2006. In his current role he holds wide ranging responsibility for regeneration, planning, housing and sustainability, building on his previous local authority leisure background from various local authorities in Scotland

General Manager, South East Waterways: Jeff Whyatt has commenced as South

East General Manager bringing significant retail operational experience gained with Marks and Spencer and the Thresher Group.

Managing Director restructure: the minor restructure outlined at the last Board meeting has been successfully implemented.

General Managers, North West and Wales/Border Counties : Julie Sharman, General Manager, Wales/Border Counties has taken temporary responsibility for the North West pending the conclusion of the disciplinary process applied to the North West General Manager. David Baldichino, Operations Manager is covering the Wales/Border Counties position.

3.2 Senior Management Forum

Our 100 senior managers recently attended a Director-led business update day covering half year financial performance together with strategic updates on restoration, legal, asset management, Olympics, SAP, customer service, safety and new ways of working (flexible working/office size reduction). Very positive feedback has been received from all who attended.

3.3 Succession Planning

Assessment Centres to identify individuals with potential for progression to senior management and beyond took place over the last 2 months involving the assessment of 35 people from various functions in the business. 8 individuals were identified with clear potential for progression and individual development plans are now being designed. These plans will include various broadening secondments (for example, 3 have started to work on a project with Stewart Sim considering the problems of towpath cycling) and mentoring by a nominated Executive Director. Detailed feedback from the assessment process is being given to all who attended the assessment centres.

3.4 London Docklands

Following a detailed disciplinary process 6 operatives have been dismissed from London Docklands for fraudulent timesheet activity. All involved have appealed against the decision to dismiss with appeal hearings set for early December.

4. CORPORATE SOCIAL RESPONSIBILITY

4.1 Awards for Excellence

British Waterways has been the recipient of a number of awards for excellence, reflecting the diversity and wide range of our activities.

- Wales & Border Counties are the Welsh Regional Winners for Business Commitment to the Community Chamber of Commerce award. The national finals are in London in November. The award is made to an organisation demonstrating commitment to social responsibility and sustainability. The prize was given for various initiatives on the Monmouthshire & Brecon Canal, including an interactive interpretation, literacy sculpture trail at Goytre Wharf and an educational CD-Rom about the waterway.

The same team have won the Five Counties Business Awards 2005 for their re-cycling of dredging materials as fertilizer and use of coir rolls in bank protection works.

- BW has won the National Outsourcing Association Award for IT Outsourcing Project of the Year. This was for our implementation of SAP with LogicaCMG. We were presented with the glass trophy at the Association's Awards ceremony in London.
- 2005 is the 25th Anniversary of the Saltire Society Awards for Civil Engineering. To mark the occasion the Society decided to recognise the best entry in that time. The Falkirk Wheel, which was the winning 2002 Project, was voted the "Best Project in 25 Years" by the Panel Members this year. A special certificate marking this was presented at the 25th Anniversary Presentation Ceremony, held in Edinburgh.
- Edinburgh Quay Phase 1 was one of five finalists for the 2005 RIAS Andrew Doolan Award for Architecture. The judges praised it as a:

"wonderful piece of urban placemaking" with "great use of contemporary commercial architectural language to set a standard for the continuing redevelopment of a previously run-down area".
- Yorkshire Business Unit together with Cementation and Gallifords has won the prestigious Brunel Medal, awarded by the ICE for the Keadby Lock Strengthening Works completed earlier this year.

4.2 Lottery Funded Project – Droitwich Canal

In partnership with TWT, we were successful in an application to the Lottery provider, People's Millions, for a community based project in Droitwich. The award of £50,000 was won in a run off with one other charity decided by public vote.

The project is a seating and interpretation point in the shape of a Wych Barge. It will be designed and built by the community and we will be working with local disability groups to make sure that the site is not only physically accessible but intellectually accessible too.

5. PROPERTY

5.1 Middlehaven Dock, Teesside

We have now submitted our full outline bid to acquire Middlehaven Docks. We continue to make the case for a recreational lock, but our study has not substantiated the benefits of such an additional facility. However, we still believe strongly that Middlehaven Dock will afford the synergies with Tees navigation reported in our Board paper. On that basis, we will continue negotiations but if the dowry value falls below our minimum position, these will be suspended.

6. LEISURE

6.1 Montgomery Canal – Canal Trails

Countryside Council for Wales has recently awarded British Waterways a grant to develop a series of circular trails and education activities along the Welsh section of the Montgomery Canal. This is the first such joint venture with CCW along the canal and it is hoped it will prove to be of great benefit in developing the wider social agenda on the waterway.

6.2 Destination Development - Harlow

Approximately £600k has been allocated to BWL for towpath improvement works along the River Stort by Groundwork Hertfordshire for 2006-08. The funding is part of a £2m programme via the ODPM Green Spaces Fund to improve access to the countryside along the Lee & Stort corridors. BW's project will include creating a level 1.2m wide hard surfaced path between Roydon and Burnt Mill Lock and will combine associated bank protection and vegetation management works.

6.3 Walking Promotion

The BW London Walk the Waterside campaign for Summer 2005 culminated in an advertising campaign with DLR. 250 car cards were put up in DLR trains to coincide with National Walking Day on Sunday, 18 September. In terms of interest in the capital's canals, rivers and docks, we have now seen the number of waterscape.com visitors, with an interest in walking, leap from a mere 254 visits in April-June to 3,354 in July-September.

6.4 The London Front-of-house Boat

The information centre will open to the public in January 2006, providing information for anglers, boaters, cyclists and walkers on a stretch of waterway that attracts around 400,000 visits per year. The 60ft-long broad beamed boat will provide a public reception area with an enquiries desk, leaflet display and on-line access to Waterscape.com and other tourist websites. The boat will be moored at Paddington Central, between Little Venice and Paddington Basin, but it will also be possible to move it to other key waterside destinations for specific events and activities.

7. RESTORATION/REGENERATION

7.1 Auchinstarry Opening Event

On 15 September 2005 a formal opening ceremony was held at Auchinstarry Marina to mark this significant milestone in the revitalisation of the Forth & Clyde Canal corridor and to cement relationships with partners and funders involved in the project. Two of the main partners, Liz Connolly, Chief Executive of Scottish Enterprise Lanarkshire and Councillor Frances Griffin of North Lanarkshire Council attended. There was a ribbon cutting ceremony and a short boat trip along the canal.

7.2 Llangollen Canal – Pontcysyllte Aqueduct

The recently refurbished Information Point at Pontcysyllte Aqueduct was opened last month. This has been part of a much wider regeneration of the Aqueduct and the Basin. Manned by seasonal staff, the response has been extremely positive with over 420 visits on its first day of opening.

The aqueduct bicentennial celebrations will take place on 26 November.

We are considering a bid with Wrexham Borough Council and others for World

Heritage Site status for the aqueduct.

7.3 Lichfield & Hatherton Canals Restoration

A high profile issue has emerged over the Lichfield & Hatherton Canals restoration after planning permission was granted for a housing development. The approval means the restoration will be hindered if not frustrated completely. We have advised the canal's trust on the potential for formal challenge of the approval. A meeting is to be set up with the County Council.

7.4 Big Lottery Fund

We are currently drawing up a Stage 1 bid to the Big Lottery Fund, Living Landmarks: The People's Millions, entitled "canal link". The total funding opportunity is in the region of £30 million. The bid will draw out the strong correlation geographically between canals and deprived areas and will be based on maximising the value of waterways to these communities. Whilst our ideas are still being developed, the "canal link" will include improved access; enhanced environment, community activities, presence of BW Rangers and volunteers and links with other beneficial canalside activity e.g. new housing developments.

8. LEGAL

8.1 The Water Framework Directive

The Water Environment & Water Services Act 2003 has transposed this environmental legislation into Scotland. The Scottish Executive is developing the secondary legislation required to implement the new control regimes. BW are designated as a responsible authority (a public body with functions which have an impact on the water environment) and must ensure that those functions are carried out in compliance with the objectives of the Directive.

Nicola Christie and Olivia Lassiere are participating in the Stakeholder Group to allow input into SEPA's preparations to develop methodologies and monitor progress of the new control regimes. Transitional measures were implemented with effect from October 2005. BW Scotland's response to the consultation document on the SEPA water environment charging scheme is to be submitted by 30 December 2005.

Further meetings with SEPA and the Scottish Executive sponsoring departments are required to ensure interpretation of the regulations are fair and proportionate for BW Scotland activities.

9. CORE WATERWAY

9.1 Weaver Navigation – Pollution Incident

At the end of September, the Weaver Navigation was closed for a week following oil pollution entering from a remote industrial estate that drains to the navigation. During works to remove an oil tank, this broke up releasing approximately 500 litres of oil. The navigation was closed to contain the pollution and allow the clean up to commence.

The EA have identified the polluting organisation and we understand are pursuing a prosecution. Our direct costs for the clean up now exceed some £50k. We believe that this money will be recovered but that it is unlikely to be in this financial year owing to the likely court action.

9.2 Emergency Stoppages

During this period emergency works have been completed at 2 lift bridges on the Llangollen Canal, and to two paddles on the Shropshire Union Canal (Northgate Flight). These have required navigation restrictions and follow the discovery of defective lifting equipment on the lift bridges which has been replaced and broken paddle gear in the latter case. A further stoppage is underway at Lock 43 (Trent & Mersey Canal) following damage to a lock gate after a boat strike.

9.3 A500 Third Party Works

The Trent & Mersey Canal has been restored to its original line as part of works for this £40m road scheme. The tie-in of the new section of canal channel to the existing will be completed this month. Other works required as part of the scheme are opening up the canal corridor in Stoke to create a significantly improved towpath route as well as improve the environment for boating customers.

9.4 Water Resources

Water levels are generally recovering well following the wet spell. The restriction on the Leeds & Liverpool Canal was lifted on 4 November. Levels are still below the seasonal norm in some places, however (for example, the North West) and we continue to monitor the position closely.

9.5 Fish Loss – Yorkshire Waterways

Our team dealt promptly with a pollution incident at Aldwarke Lock near Rotherham where 50,000 fish were killed when the canal was contaminated with 7.5 tonnes of spilled oil, resulting in a 5-day emergency closure. BW staff did a very professional job to alleviate what could have been an even worse situation. The cost to us is around £40,000 with around £25,000 of external fees. We are seeking to recover costs via the EA.

Again, in Yorkshire Waterways and on a more positive note, discussions are ongoing with EA concerning fish pass installations on existing weirs, particularly Castleford and Wakefield. We are also joining a partnership project with English Nature and the EA to safeguard and improve the management of regionally important lamprey spawning sites along the North Yorkshire Navigations.

9.6 Dog & Duck, Goole

Work is currently underway by the Yorkshire Business Unit with our Legal team and Ian White to clear the dilapidated freight boats that have been moored at this Goole site for many years. This will mean that the mooring facility for freight vessels can be used more efficiently and the access to the Goole Intermodal Terminal can be realised. Section 8 Notices have been served and safety assessments are in hand. Contact with owners is being re-established as necessary.

9.7 Anti-Social Behaviour

West Midlands Police have made presentations to BW staff relating to personal safety whilst working on the canal system. This was further reinforced when eight officers joined staff on the inspection boat so that the boaters' perspective could be better understood and we could develop working relationships for the future.

9.8 Bat Colonisation

Works to Dudley Tunnel have been postponed until April 2006 due to the sudden influx of a bat population having relocated there following disturbance by Dudley MBC works in the adjacent limestone mines.

9.9 Floating Pennywort – River Soar

Site visits on 8 September 2005 with Leicester Riverside Rangers identified large growth of the invasive plant Floating Pennywort in sections of the Soar/GU Canal through Leicester. This has begun to cause complaints from boaters as it impedes navigation. The plant is known to be a major threat to navigation and biodiversity if not treated at an early stage. A control strategy is being prepared which will involve EA, City Council, BW, users and landowners. Initial physical removal and disposal has been started by the Soar maintenance team, which will continue until work on winter stoppages commences.

9.10 Inland Port Project – River Trent

East Midlands Today TV picked up on the concept of an Inland Port at Colwick from the East Midlands Regional Freight Strategy which has just been launched. A TV interview was conducted at Colwick which was broadcast and was extremely positive, as is the Regional Freight Strategy, towards waterborne freight.

9.11 Caldaire Terminal – Aire & Calder Navigation

The site at Goole is leased to ABP who in turn sub-let it to Caldaire Terminal. Renewable Energy are wishing to store Biomass Fuels at the Terminal and ABP are in the final stages of agreement with us to enable them to provide a new storage shed on the site for this traffic. This should see an additional 150,000 tonnes per annum delivered to the site by ships via the Aire and Calder Navigation. ABP's estimated Capex for the shed is £1m. We are also in discussions with Renewable Fuels regarding the onward transhipment of Biomass fuel by barge to waterside Power Stations via the Aire and Calder Navigation and Rivers Trent and Ouse.

9.12 Woodford Group – Sheffield & South Yorkshire Navigation

Discussions continue regarding the movement of approximately 600,000 tonnes of limestone to sites in Rotherham and Doncaster. Woodford are seeking their Board Approval to fund design work and cost appraisal of wharfs at the sites.

10. VENTURES

10.1 BW Mast

As part of the NET mast collaboration, Vodafone are pursuing a site at the Highgrounds dredging tip (now restored) on the Chesterfield Canal at Rhodesia, Worksop. The site has been visited by the NET surveyor and a BU representative to establish the preferred location for the mast.

11. BOARD MEETINGS IN 2006

The following areas have been chosen for Board Meetings in 2006:-

1/2 February	-	Wales & Border Counties
22/23 March	-	Scotland
24/25 May	-	London
19/20 July	-	Central Shires
27/28 September	-	Yorkshire
22/23 November	-	West Midlands.

ROBIN EVANS

17 November 2005