

MEMORANDUM TO THE BOARD

CHIEF EXECUTIVE'S REPORT

1. STAKEHOLDER RELATIONS

1.1 Defra Relations

Strategy Day

We had a very constructive Strategy Day with Defra officials on the 15 August. Sir Neil Cossons facilitated the meeting and we achieved a common understanding of the financial pressures/opportunities facing BW.

Defra officials were very proactive in their approach and we definitely further improved our working relationship.

Chairman's meeting with Minister

The Chairman met the Minister on the 6 September. The Chairman felt it was a very positive meeting and will give a verbal report at the Board.

Meeting with Minister in Birmingham on 12 September

I am meeting the Minister in Birmingham and taking him on a short boat trip to Icknield Port. He is meeting other stakeholders during his visit but I am planned to have half an hour with him alone at the start of the trip. I will report at the Board Meeting.

Visit to Loughborough - 2 October

The Minister has agreed to attend the formal opening of our Loughborough development.

Response to EFRA Committee

Board Members have seen a working draft of the Defra response this week.

A further update on the response and its progress will be provided at the meeting.

1.2 Scottish Executive – Meetings with New Minister

Stewart Stevenson, MSP, Minister for Transport, Infrastructure & Climate Change attended the Kirkintilloch Canal Festival on Sunday 26th August at the invitation of local MSP, David Whitton. Steve Dunlop accompanied the Minister for a 90 minute tour of the event, including a short boat trip along the canal courtesy of the Forth & Clyde canal society. Kirkintilloch is a fantastic example of a community capitalising on the rebirth of the Forth & Clyde canal following the completion of the Millennium Link and was an ideal informal opportunity to show our new Minister what our canals can contribute to the wider fabric of Scotland.

Campbell Christie, Steve Dunlop & Nicola Christie attended a meeting with the Minister and our lead civil servant, Margaret Horn, at our offices in Inverness on 29th August. Steve Dunlop gave an overview of British Waterways Scotland demonstrating that our waterways are assets that impact on many aspects of life in Scotland. Crucially, it was highlighted that BWS is a uniquely cross-cutting organisation already delivering activities which are both consistent with and supportive of the clear governmental direction built around five strategic objectives – smarter, wealthier & fairer; healthier; safer & stronger and greener and with continuing support, BWS can continue to contribute to the economic, social and environmental wellbeing of Scotland.

A dinner on 26th September in Edinburgh has been arranged for Tony Hales, Robin Evans, Campbell Christie, Duncan Sutherland and Steve Dunlop to discuss issues with the Minister and John Ewing ahead of the Minister's planned address to the BWS Annual Meeting the following morning.

1.3 Welsh Public Affairs

We enjoyed an excellent Royal Welsh Show, where I launched a report that demonstrates that Welsh canals return more than 10 times their cost of maintenance to local economies in terms of benefit. The report has attracted interest from local authorities as well as regulators, and we see parallels with the English rural economy too. Following the show we have been visited by the new Welsh Heritage Minister, and expect the deputy First Minister to visit the Montgomery Canal shortly.

The new coalition between Labour and Plaid Cymru has resulted in ministers without general experience of waterways being appointed. We are working to engage with the new government. It also makes it more likely that there will be a serious push towards fuller devolution.

1.4 Freight – OXERA Report

The process of discussing the pre-publication OXERA report with interested parties who could be potential allies is going well. Simon Salem has held meetings with Commercial Boat Owners Association, Freight Transport Association and Chartered Institute of Logistics and Transport. Further meetings are planned with the Confederation of British Industry, British Chambers of Commerce, Sea & Water and Inland Waterways Association.

All the signs are that we are building a more supportive coalition which can work together to influence government rather than attack British Waterways. The draft response to the EFRA Committee report should be helpful and we plan to co-ordinate evidence to an upcoming Transport Select Committee inquiry on sustainable transport.

2. MARKETING & CUSTOMER SERVICE

2.1 Customer Service Transformation

B2B relationships

Marketing Best Practise, a small training company spun out of Cranfield business school, has been appointed to run the B2B development programme beginning in November 2007. This is a twelve month programme for teams in each operating business unit and relevant central departments.

Talking to customers

Programme continues through to March 2008. The objective is for all BW people to have participated in the one day workshop by this date.

Volunteers

The potential to engage volunteer guides at trial BW destinations is to be tested during October 2007. The work will also identify those barriers that need to be overcome if BW is to pursue such volunteer programmes on any meaningful or permanent basis.

Customer service standards

The project has experienced some delay while financial implications of the proposed minimum safety standards are fully assessed. Directors are to consider draft standards on 1 October.

2.2 Implementing marketing strategy (B2C)

The 'demand chain' analysis was completed with McCann Erickson during the summer. It validated our strategic marketing approach with its emphasis on functional customers and then allowed us to produce a new brand footprint to underpin our planned marketing.

As a result of our analysis our emphasis in increasing footfall has moved to unique visitors rather than visits (although both will still be measured).

A 'mood video' encapsulating the waterway product has been made and used for internal communications. A number of different cuts of it will be produced for use in presentations to business partners and consumer advertising

Our test marketing campaign starts w/c 8 October in five areas, all chosen because they have a good stretch(es) of towpath/waterway with a high-density population nearby. This offers good potential to increase visitor numbers. The areas are:

- Lancaster in the North West
- Nottingham & Leicester and surrounding area in the East Midlands
- Birmingham (plus Hatton & Fradley) in the West Midlands
- Milton Keynes and surrounding area in the South East
- Paddington to Camden in London

Depending on the location, the campaigns will include some or all of the following marketing tactics: billboard posters (48 & 6 sheets), sponsorship of sandwich bags, newspaper advertisements, 30-second commercials (on selected trainlines), and information booklets delivered to local homes. This activity will be complemented by PR activity.

A major part of the campaign is showing people the many ways that canals and rivers can play a part in their daily lives by offering an alternative and more attractive environment, such as taking a traffic-free route to work, walking the dog and outdoor exercising as well as a great place to eat and drink, or to take the kids to feed the ducks.

The success of the campaign will be measured by a programme of research before and during the campaign. Visit numbers will be measured by pedestrian counters and the research will test actual visits made, likelihood to visit in the future, as well as reaction to the marketing material.

2.3 Leisure business

Mooring tenders

The first mooring tenders are due to start in late September. Interest has been building and there are now over 2682 registrations for information about tenders. Waiting lists have now been closed and frozen. There is still strong opposition from user groups although in recent weeks the number of individual complaints has been small. We are monitoring the situation closely.

Licence prices

Consultation on proposed licence increases of 10% plus cost inflation will begin at the end of September.

3. STRATEGIC PEOPLE ISSUES

3.1 Excellence Awards

We have revised our internal awards programme this year. In place of the old Lock & Bridge Competition that rewarded maintenance standards, we have introduced Excellence Awards. Anything that demonstrates excellence is eligible for the awards and each Business Unit has an internal competition with the General Manager choosing a winner. I am visiting each Business Unit and meeting with the winners (and the two runners-up) to both congratulate them and learn what they did. I will then select a national winner in October.

3.2 Steve Dunlop - BURA

Steve Dunlop has been elected to the BURA Board following the conclusion of the ballot at the AGM. Mark Ryder of ISIS was similarly elected for a 3 year tenure in 2006.

3.3 Senior management changes

Customer Operations Manager - Yorkshire. Jeremy Tuck joins us from the National Trust on 1 October. Jeremy has extensive customer and volunteer-related operations management experience.

Business Development Manager - South West. James Young will take up this post on 4 October bringing strong commercial expertise gained at Donaldsons property consultants, South West Regional Development Agency and English Partnerships.

General Manager - Wales & Border Counties. Julie Sharman returned from maternity leave on 4 September and David Baldacchino returned to his substantive role as Customer Operations Manager following successful temporary appointment as General Manager during Julie's absence.

Asset & Programme Manager - Wales & Border Counties. Darren Green, Senior Engineer is to be appointed acting Asset & Programme Manager following the transfer of previous secondee Mark Duquemin to Audit.

External Relations Manager. Eugene Baston has resigned and the opportunity is being taken to restructure the function to bring greater focus to this area of activity at reduced cost. Ed Fox, Corporate Affairs Manager - London will take over responsibility for external relations in addition to his existing responsibilities. Jonathan Bryant assumes responsibility for complaint management and for stakeholder relations excepting those with the inland marine trade.

3.4 Leadership development

Work is progressing to design a comprehensive leadership development programme working with consultants the Centre for High Performance Development (CHPD). Executive directors have completed diagnostic questionnaires, a 360 degree process and been workshadowed by a CHPD consultant who has produced a behavioural leadership assessment for each director. Design has begun of the next stages of the programme, which will extend the process throughout the remainder of the senior management population. The Board will be kept updated of progress.

4. LEISURE

4.1 Gloucester Waterways Museum

The consultants employed jointly by BW and Gloucester Heritage Urban Regeneration Company (GHURC) to look into the operation of the Waterways Museum in Gloucester have presented their final report to both the TWT trustees and the GHURC board. There are a number of conclusions, none of which particularly surprise us. It is recommended that the museum should close in November this year for an overhaul in time for a reopening at Easter 2008. This overhaul should include space reduction – one floor of Alexandra Warehouse; the contracting out of the café and boat trip operations (both lose money); the appointment of a part time Artistic Director to really drive the leisure and tourism agenda and a close look at the local management to determine if they can really take the museum forward. The future is not one that is seen without subsidy but that the recent growth in the subsidy required should be contained. There is a distinct possibility that the GHURC will be able to part fund a significant part of the overhaul cost (possibly £50K) but they would be looking to BW and others (City and County and SWRDA) to match or exceed this.

We will wish to support the overhaul but any financial contribution will have to be met from our existing contribution to The Waterways Trust or be realised from commercial letting of vacated space.

4.2 Business Development - Scotland

Two new commercial businesses have started operations on our canals in Scotland. Highland Free Spirits, based at Dochgarroch on the Caledonian Canal are offering charter hire for 8 passengers. The Soupery, a floating café/restaurant will trade on the Union Canal based at Reddingmuirhead and offer a breakfast service at Polmont Station, a lunch offering at Redding and optional dinner cruises.

4.3 Standedge Tunnel

Technical problems with the electric trip boats at Standedge have led to through passage for hire boats, but not customers, running during much of July & August. We have advised our hire boat operators of this and made arrangements for all affected customers to be transported across the Pennines by taxi (at BW's expense) and to receive a free short trip into the Tunnel. Although customers have been disappointed not to be able to do the through trip, most have appreciated the alternative arrangements that have been made, and the efficiency of those arrangements.

A safety review is being undertaken of the operation through the tunnel. The purpose is to determine the practicalities of using tugs which are diesel powered (not battery) in order to enhance service and reduce costs. A gas trial is taking place on 19th September following consultation with user groups.

5. RESTORATION/REGENERATION

5.1 Wendover Arm

The Wendover Arm was originally built to supply water to the Tring summit of the Grand Union Canal. Problems with leakage along part of its length lead to its abandonment to navigation 100 years ago. The Wendover Arm Trust is now restoring the Arm to a navigable state with some 750 members, 50 of whom are active either in the restoration itself or in running the Tring Canal Festival the annual main fund raising event.

Phase 1 of restoration is now complete. Phase 2 consists of 3km of channel from Tringford to Drayton Beauchamp and is scheduled for completion in 2011. British Waterways is supporting this phase of the restoration with an investment of £200k. This amount would have to be spent on replacing the feeder pipeline if the Trust were not relining the channel.

Phase 3 of the restoration will complete the section to Wendover and consists of water below navigation level. This section presents a number of major challenges; three low level road bridges, dredging and the impact on wildlife along the 'chalk stream' environment. The Trust has started to look into funding for this length but have not yet committed to construction.

5.2 Bancroft Basin Bridge, Stratford

The replacement footbridge over the Bancroft canal basin referred to in my last report has been granted planning permission. The canal society, who had seen the bridge as a symbol of the restorers' efforts and wanted it to remain, are now looking to work with BW in finalising the design to best suit boating customers and find a new home for the current bridge.

6. PROPERTY

6.1 Jericho Bridge Proposals

BW responded to this application consultation, noting the difficulties in designing the proposed bridge. This location is particularly sensitive, being in the Oxford Central Conservation Area and would be visible from Isis Bridge to the south. Isis Bridge is listed and the current view of the bridge from the north is particularly attractive.

Opponents have prepared an alternative bridge design, locating it further north to reduce visual impact on Isis Bridge.

A revised design has also been prepared by the developer's consultants PRP. This is for a simple lifting bridge at existing levels and involves narrowing the canal .This is being internally tested for operational feasibility with a view to submitting this revised design to Oxford City Council shortly.

6.2 Boots Development

Boots have invited the East Midlands business unit team to a consultation meeting to discuss their Masterplan for the Beeston site in Nottingham. The mixed-use development alongside the Notts Beeston Canal provides a number of opportunities for BW: an additional bridge, access rights, visitor moorings and an offside towpath are included. The 25 year plan will create a new waterside destination surrounded by both residential and commercial property in the region.

6.3 BW Scotland Offices, Applecross Street, Glasgow

Our property team has identified a number of medium term opportunities to relocate the existing Applecross Street offices. These are located along the Glasgow Canal Corridor and are likely to form part of the wider regeneration of the area, in conjunction with ISIS. It is anticipated that the relocation will be delivered over a 5-year period, therefore it is proposed that the existing Applecross facilities be refurbished to cover the intervening period. The staff consultation process is now largely complete with the refurbishment programme due to commence before the end of 2007.

7. CORPORATE SOCIAL RESPONSIBILITY

7.1 Angling

On the 4th of August the annual 'Get Hooked on Fishing' match organised by West Yorkshire Police and Wakefield Angling Club was held on the Calder and Hebble Navigation. The event saw 117 junior anglers on the bank that day. The general manager and angling officer handed out prizes and trophies after the match to the winning individuals.

8. LEGAL AND REGULATORY ISSUES

8.1 Tees Barrage

The Environment Agency has served notice revoking the Provisional Licence for the fish-pass at the barrage under the Salmon and Freshwater Fisheries Act 1975. Board members may recall earlier reports to it on the concerns expressed by the Anglers Conservation Association about the effectiveness of the fish-pass and the pressure they were putting on the EA.

The action of the EA is disappointing as BW has undertaken some improvement works and was in discussion with the EA about further works and monitoring methodology. The revocation was clearly provoked by threats from the ACA to seek a judicial review of the EA.

Legal advice received is that the EA do not have proper grounds to revoke and therefore, regrettably, it may be necessary for BW to itself seek a judicial review of the EA in order to preserve the status quo. It is hoped legal proceedings can be avoided and further information will be given at the Board meeting.

8.2 Upper Lode Lock – Diving Fatality

The inquest into the death of David Moore in October 2004 when diving at Upper Lode Lock in support of a lock gate replacement project is likely to be heard before the end of the year. A pre-hearing meeting is due to take place this month. A letter before action has been received from solicitors acting on behalf of the family of the deceased. The CPS has decided not to undertake any criminal proceedings in respect of the death though it is anticipated the HSE will. BW is of the view that the diving contractor, who had sole control of the dive under the diving regulations, is the primary party at risk of Health & Safety prosecution.

8.3 Purchasing Card Fraud

John Butterly, the former BW Education Manager dismissed in February, was sentenced to 14 months imprisonment at Mold Crown Court on 23 August when he admitted eight charges of false accounting. The charges resulted from misuse of a BW procurement payment card which had been discovered by an Internal Audit Financial Healthcheck. He admitted to at least £34,670 of unlawful purchases. Following this conviction the losses to BW will be pursued through the criminal courts under the Proceeds of Crime Act 2002 which is a more effective remedy than the civil courts in these circumstances.

9. CORE WATERWAY

9.1 Tringford Reservoirs – Blue Green Algae Prosecution

On 27 July 2007, at a preliminary hearing, BW pleaded not guilty to pollution charges concerning the escape of blue-green algae and/or deoxygenated water from the Tringford reservoirs to the Grand Union canal in August & September 2005. EA have requested further time to submit evidence. With a second pre-trial hearing in late November it is unlikely the case will be heard (in the Magistrates Court before a District Judge) before early next year.

Blue Green Algae has reappeared recently within the Tring Reservoirs Group. In partnership with the Environment Agency (EA) a real time water quality monitoring system has been installed in the Wendover Arm of the Grand Union Canal at the point of discharge from the reservoir pumping station which will alarm prior to any fish mortality occurring. Via the routine algal monitoring on 21 August we identified algal blooms in the reservoirs at the EA's threshold levels and put control measures in place in order maintain supply to the canal network. Throughout we have kept a positive and close working relationship with EA staff. As a consequence we have been able to provide quantitive data based upon the EA's own guidance with regard to algae levels and demonstrate that we have acted quickly to prevent the discharge of blue green algae whilst maintaining supply to the canal. We currently have confirmed Blue Green Algae in three of the four reservoirs and are maintaining supply via uncontaminated resources. Navigation restrictions continue in the Marsworth flight and Aylesbury Arm. Dosing with hydrogen peroxide will start w/c 3 September in order to maintain supply to the Tring Summit.

9.2 Network Reliability

Two significant incidents on the Llangollen Canal have been managed. A bed valve failure resulted in a 24hr emergency stoppage at Hindburn in Shropshire. A lift bridge hinge pin failure at Fron resulted in a 3 day restriction to road traffic, the erection of a temporary pedestrian footbridge and a 1 day closure to navigation to effect repairs to the lift bridge. Tests are being conducted on the failed element.

9.3 Dispute with landowner – Chesterfield Canal

The operational team have been forced to recover a BW operational vehicle under police supervision when a local landowner took exception to the vehicle being parked (partly) on his land and fenced the vehicle in with wooden fencing and old vehicles. The landowner refused to return the vehicle. The landowner has had a long standing dispute with BW with regard to land ownership on the Chesterfield Canal and in fact owes BW several thousands of pounds from a previous court case which was found in our favour. Whilst on this occasion BW were at fault for parking on land not owned by BW, it is likely that the landowner will continue to attempt to hamper BW's operations in any way possible and consideration is being given as to whether an injunction can be taken against him.

9.4 Freight – Abnormal Loads

Discussions with representatives of Staythorpe Power station and freight operators have commenced with regard to the possibility of accommodating up to 60 abnormal loads on the Trent over the next two years to facilitate the decommissioning of the station. This high profile project could generate up to £250k income to the waterway unit with additional income from the lease of some BW land for the duration of the works. Dredging and accommodation works may be necessary. As discussions progress more will become known on the feasibility and likelihood of this traffic.

9.5 Freight – South Yorkshire

In South Yorkshire freight operators have been affected significantly by the navigational limitations which had to be applied following the flood events. The Navigable draft has been reduced on both the Aire & Calder and the SYN, following instances where freight vessels became lodged on sand bars and silt deposits created by the flood events. BW staff and plant worked to free the vessels. The freight boats must maintain their loading to ensure safe passage.

9.6 Floating Pennywort

Removal of this invasive species on the River Soar was delayed due to severe flooding in July. Grab removal by the vegetation team is now progressing but the rate of spreading now requires increased resources and the use of Land and Water, our Omnibus contractor is being arranged to deal with the problem over the next two months. It is intended to take the Board to view the operation of weed removal at the Board visit in September.

9.7 Project Approvals

I have approved the following project:

• Weaver Navigation – Vale Royal Lock, Bullnose reconstruction. £2,800,500.

&i Cons

ROBIN EVANS

September 2007.