

MEMORANDUM TO THE BOARD

CHIEF EXECUTIVE'S REPORT – SEPTEMBER 2008

1. HEALTH & SAFETY ISSUES AND RISK

1.1 Injury Trends

It was reported to the Board last time that the trend for over 3 day injuries had deteriorated. I outline below the workforce initiative targeted at moving us back to a steady downward trend. Firstly it is worth looking at the incident figures in more detail.

A well established tool in the management of safety is to consider the safety triangle or pyramid where the base is near misses, the next level minor incidents etc. with fatalities at the peak. Once a well established safety system is in place, it is good practice to concentrate on reducing the lower level incidents as this will lead to a marked reduction in serious incidents.

In our case the number of injuries of all severities continues to drop. First aid cases are dropping steadily with the 12 month moving average at 46 compared to 76 a year ago. The 12 month moving average for 1 to 3 day lost time injuries is 9 compared to 18 a year ago. Yet the trend in RIDDOR reportable injuries is rising with the current figure of 18 compared to 11 a year ago.

All our lost time injuries occurring in 2008/09 have resulted in absences of over 3 days – i.e. they have all been reportables. This rightly is causing concern. However, looking more closely at these RIDDORS, with a few exceptions those injuries that have occurred in the past 12 months have been at the upper end of their potential – i.e. it is unlikely that the action causing the injury could have caused a worse one. They have been predominantly slip/trip or manual handling injuries resulting in sprains. We are not suffering from a rise in truly serious industrial injuries.

Having said that we are not complacent. It is strange that the lower level stats are still good while RIDDORS are not. This might indicate that behavioural safety is actually well embedded. Nevertheless we are working to reinforce safety behaviours a key part of which are the workforce roadshows mentioned below.

The business has been reminded of the need to manage absences. It is possible that the rise in over 3 day incidents is associated, at least in part, to an easing of absence management.

1.2 Compliance and Governance

Audit continues to report failures in compliance and management systems. Clearly, we take action to address the individual issues/risks highlighted by audit, but a more comprehensive approach is needed as well. The key weakness is a lack of inbuilt feedback loops that monitor and report on progress and a confusion as to responsibility for verifying and auditing these reports.

Elsewhere in the business we have empowered the “Head of

We are also re-mapping our key processes as we became concerned some time ago that there was inconsistency and some inefficiency. Good progress is being made and all revised processes include feedback loops to monitor and report on progress.

We are bringing together changes to create a clearer framework for the setting, delivery, monitoring and reporting on safety instructions.

The Audit Committee discussed this at their meeting on the 10 September. I am due to provide the Committee with a detailed implementation plan by the end of the month.

1.3 Workforce Involvement Roadshows

The idea for this approach came from the workforce safety reps on the National Health and Safety Committee and are planned to run Late September/October. The aim is to reach as many employees as possible given time available. An outcome will be to challenge each area to form Safety Action Teams to address issues that concern them and to reconvene in April 2009 to feedback/review progress collectively. The agenda for these Roadshows forms part of the Health & Safety supplement attached to this paper.

1.4 Cycling Injury at Caen Hill

A 15 year old youth suffered a serious injury to his leg when he fell off of his bicycle cycling down the Caen Hill Flight towpath. A brake lever penetrated his thigh, severing an artery. The youth had to be airlifted to hospital by the air ambulance which landed in a field next to Lock 30. We understand that the youth will make a full recovery. We do not believe that the accident was caused by our infrastructure and we have not been contacted by the Police or HSE. We have discussed the incident with Sustrans and plan to install safety signs sponsored by Sustrans at key points.

2. STAKEHOLDER RELATIONS

2.1 Treasury Review of Capital Assets

We have had further meetings with Treasury, Shareholder Executive and Defra officials. Treasury have also made a site visit to Gloucester where we showed the past, present and future regeneration and property activity.

We are due to submit our paper to Defra/Treasury by the end of September and I will circulate a copy to the Board.

2.2 Jonathan Porritt

The Chairman and I met with Jonathan Porritt as a follow up to a letter he wrote challenging BW’s commitment to sustainable development. He believed as a public body we should be achieving the highest levels of BREEM and other sustainability indicators, and that we were too interested in short term economic gain and not enough in long term sustainability and climate change benefits.

By the end of the meeting he had a better understanding of our wider role. We have asked him to provide details of his Forum for the Future organisation that advises companies on their approach to sustainable development.

2.3 Corporate Plan

Our 3 year Corporate Plan for England & Wales was eventually approved by the Minister on the 15 August.

2.4 Scotland

The Scottish Canals Development Group, a partnership chaired by the Scottish Government, that brings together organisations with a common interest in contributing to, and benefiting from, vibrant canals met on 16 September.

This group is an ideal vehicle for British Waterways Scotland to engage and work together with its partners to progress the development of the canal corridors to ensure they fulfil their wider economic, social and environmental development potential for the benefit of Scotland.

The Scottish Government has moved to an outcomes-focused approach to performance, encouraging more effective partnership working across the public sector and with stakeholders. In Scotland the whole of the public sector must contribute to one overarching purpose – to focus government and public services on creating a more successful country, with opportunities for all of Scotland to flourish, through increasing economic sustainable growth. 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. The Scottish Canals Development Group enables BWS to build effective relationships based on synergies to attract funding and develop shared agendas within this Scottish political landscape.

Following the SCDG meeting BWS hosted an evening reception in the Garden Lobby of the Scottish Parliament well attended by MSPs, our partners and stakeholders. The reception commenced with a short welcome from Jamie Hepburn MSP (who sponsored our event) followed by a supportive address by our Minister Stewart Stevenson MSP covering the BWS budget allocation, Status Review, SG review of policy document – Scotland's Canals – "*an asset for the future*", the IWAC review and HELIX. Jon Hargreaves responded on behalf of BW.

2.5 IWAC

BW presented to the IWAC board on their visit to South Wales on 10 September and hosted a visit to the Monmouthshire & Brecon breach site. The visit was well received and Sarah Nason from Defra attended.

2.6 IWA Festivals

Wales & Border Counties Waterways hosted both the national festival at Atherley Junction (jointly with West Midlands) and the restoration festival (Monty '08) in August/September. Preparations for each event was intense requiring resources from the Business Unit. Duty Managers provided support at weekends to each event also. We have received excellent feedback from the IWA for the effort, support and co-operation from the Business Unit team in making these very successful events.

2.7 Kennet & Avon Canal – Lock operations

In July our consultation into the K&A Canal Lock Operations closed and we published our report on the consultation on 1 September. We had 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 was 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 we received 155 emails and letters on the proposals. The majority of respondents were against the main proposal to staff and lock up the ends of the canal. Acknowledging this, we have decided neither to staff the locks nor to introduce opening hours. However we will work with the EA and Bristol Port to sell licences from their adjacent locks and we reserved the right to lock locks up and either sell a licence or initiate enforcement action.

3. MARKETING & CUSTOMER SERVICE

3.1 Customer service standards advisory panel

Its purpose is to advise on future customer service standards and the panel, chaired by Simon Salem, has its first meeting early October 2008. It comprises twelve people (nine customers & three BW people). These are appointed for their individual experience and expertise rather than as representatives of special interest groups. BW people include a lock keeper, a length inspection supervisor and a customer operations manager.

3.2 CRM Pilot / Scotland

The customer relationship management element of SAP has been activated for a pilot in Scotland. It is a powerful tool with the potential to significantly improve service to customers across BW's geographically dispersed locations. Decisions regarding future use throughout BW will be taken following evaluation and in line with IT strategy overall.

3.3 National Communications

This period has seen some considerable media coverage of British Waterways' work in broadcast, print and on-line media at a national, regional and trade level. A round-up of key stories is now being circulated to BW staff, board members and some external stakeholders every week and has been very well-received.

The main highlights of this period were coverage of British Waterways' Annual Report and a story to raise awareness of the issue of invasive species in the waterways.

The Annual Report story led to positive coverage of BW and the waterways on BBC Radio 4's Today programme, BBC Breakfast, Five Live, Channel 4 News, TV and Radio stations across Britain, and all the national broadsheet newspapers and middle market tabloids. This included editorial and comment pieces in The Times and praise of BW as "one of the unsung institutional good guys of the age", a full page article in The Express reporting on how the waterways have improved since the 1960s, as well as large features in The Daily Mail, Daily Telegraph, Guardian and FT.

Our story to highlight the issue of invasive species in the waterways received extensive national and local coverage, including The Daily Telegraph, GMTV, BBC London, London Tonight, The Mirror, Daily Mail, Country Life and around 20 local radio stations and over 40 regional newspapers.

Regeneration & Renewal Magazine ran a full page interview with Robin Evans on the "beneficial effect on regeneration, economic growth, tourism and local communities" and Estates Gazette ran a three-page interview with Stuart Mills looking at the importance of property to BW.

BBC Working Lunch ran a feature highlighting British Waterways' work to promote new marinas.

BBC Radio 4's PM programme covered BW and TWT's search for surviving 'Idle Women'.

BW's licensing of a canoe taxi in London was covered by the Evening Standard, Observer, Sunday Times and BBC.

Both Sky News and BBC London ran stories on the progress of the new lock on Prescott Channel

The Independent and Evening Standard ran articles looking at apparent interest among supermarkets for moving materials by water

3.4 Summer Marketing Campaign

This summer's 'Yours to Enjoy Anytime' marketing campaign again produced very encouraging results. Research showed that awareness of advertising increased by 75% and 32% of people that had seen the advertising said it positively affected their use of canals. Immediately following the campaign there was an 18% increase in visits to canal locations that ran the advertising campaign, compared to those that did not.

3.5 Boat Licence Prices from 1 April 2009

The Board will recall that after deciding on last year's price increase, we committed to work with the British Waterways Advisory Forum (BWAFF) to gain their advice on how the likely substantial price increase for 2009 could be made as fair as possible.

BWAFF formed an expert sub-committee led by BWAFF chair, Nigel Stevens. This reviewed data and met with us over the Summer. Its main conclusion was that the need for a price rise could be made fairer if a charge for boats with no home mooring and/or a charge for boats with a beam greater than 2.1 metres were to be introduced.

We have considered BWAFF's full report and discussed it with the sub-committee. We have calculated that to generate the revenue we require from licences in 2009/10, we would require an 'across the board' increase of 11.2%. After modelling various options, we have suggested that subject to acceptable implementation costs, a charge of £150 for boats with no home mooring and £50 for boats with a beam greater than 2.1 metres would lead us to a general licence increase of 6.6% (see option 4 in table below). All options include an increase of 7.5% for leisure business licences.

Effect of Alternative Options on 2009 Private Boat Licence Fees				
Option	Category of boat & licence	Increase on current fee	Fee £ for 13m boat	Boaters affected
1 No Change	All private	11.2%	644	27,968
2 Add £50 for boats more than 2.1m (canal & river) & £30 for river only	Beam > 2.1m canal & river	9% + £50	682	3,422
	Beam > 2.1m river only	9% + £30	409	2,242
	Beam < 2.1m	9%	632	22,304
3 Add £150 for	Private boats, no home mooring	8.5% + £150	779	2,898

boats with no permanent home mooring	Private boats, with home mooring	8.5%	629	25,070
4 Both 2 & 3	Beam > 2.1m canal & river, with home mooring	6.6% + £50	668	3,019
	Beam > 2.1m canal & river, no home mooring	6.6% + £200	818	403
	Beam > 2.1m river only, with home mooring	6.6% + £30	648	2,141
	Beam > 2.1m river only, no home mooring	6.6% + £180	798	101
	Beam < 2.1m, with home mooring	6.6%	618	19,910
	Beam < 2.1m, no home mooring	6.6% +£150	768	2,394

Because this is a proposal with wide ranging effects on our 30,000 boating customers, we have published our response to BWAf's report and asked for final views from groups representing boaters by 7 November. This will allow a final discussion at the November meeting of BWAf and then a full proposal to the Board at its November meeting. This will still allow us enough administrative time to introduce the price changes in April as planned.

4. STRATEGIC PEOPLE ISSUES

4.1 Senior Manager changes

Property & Regeneration Manager – Scotland. **Katie Hughes** started with us on 1 September.

Asset & Programme Manager – Scotland. **Andrew Stevenson** is starting with us on 22 September to replace **Dave Smith** who is retiring.

Business Development Manager – Wales & Border Counties. **Sue Lane** has resigned and will be leaving us later in the autumn.

4.2 Leadership Development Programme

Behavioural workshops have begun for central function heads following on from those for business unit General Managers. A round of workshops for remaining senior managers will take place in October/November.

4.3 Job Profiles & Salary Structure

The project to compile performance & capability profile documentation to describe the roles of people across BW is almost complete. A new, simplified salary structure is also being introduced.

4.4 Business Travel & Company Cars

Changes are being proposed to our approach to business travel to promote cost effectiveness and to support our aim to reduce CO2 emissions. We will be tabling formal proposals to the trades unions at our National Joint Forum meeting in October. Implementation of the proposals will lead to a large reduction in the number of company cars, with many more employees being paid a cash car allowance to provide a private car for business purposes instead.

4.5 SMART Pensions

A project has begun to implement tax-efficient pension contributions. Implementation is planned for January 2009. BW's National Insurance Contribution payments are forecast to reduce by c. £200,000 p.a. as a result of the changes. Employees NIC payments will also reduce by a similar overall amount.

5. LEISURE

5.1 Anderton

Due to the adverse weather over the Summer, visitor numbers for August are 30% down on 2007, with income down by £30k YTD. A new marketing campaign has been implemented to encourage visitors. However we are close to the season end and a recovery of income is unlikely.

5.2 Towpath Ranger – London Canals

41 external applications were received for the position, of which 4 were interviewed. The successful candidate, Joseph Young, joined us on 8 September and will report to the leisure development manager. This is an important role in BWL's work with TfL and the establishment and implementation of a Towpath Management Plan for central London's canals.

5.3 Floating Golf event, Heron Quays, London

Golf in the City ran a floating golf event in South Dock, Heron Quays between 8 and 12 September. Colin Montgomery attended and officially opened the event. Total BW income from the event will be £13K.

5.4 Erewash Festival

More than 5,000 people flocked to the one-day Erewash Canal Festival over the August Bank Holiday weekend. The record breaking crowd enjoyed the activities and entertainment on offer at the Festival which was held this year at Trent Lock in Sawley, one of the East Midlands destination sites. Erewash Borough Council have again considered this event a success and are now liaising with BW to link next year's event to the IWA's National Festival at Redhill.

6. LEGAL

6.1 Usk Abstraction (supply to Monmouthshire & Brecon Canal)

Following our meeting with the Environment Agency Wales (EAW) earlier this year, we are still awaiting confirmation of the restrictions they will impose under the Water Act licensing regime to be introduced in 2009. BW currently abstract up to 25% of flow at low flow conditions and the recommended maximum is 5% from this SAC.

Having met with Welsh Water who have similar concerns to us about the processes and targets being followed by EAW, and whose abstractions are also being limited, they have been given an indication that they would have to reduce abstraction by 80%, at low flow. They may be able to help us investigate alternative supplies which will be a critical issue in any debate we take forward with EAW.

The timescale for Licensing is such that although it could be up to 5 years before this takes effect, the impact is significant – the Canal would have to be closed when the

heaviest restrictions are in place, unless alternative supplies can be secured. This would be a difficult outcome publicly having spent over £8M on repairs in the last 2 years.

7. RESTORATION/REGENERATION

7.1 Cotswold Canal

We understand that following recent meetings of Stroud District Council and the Heritage Lottery Fund that Stroud DC will take on the restoration of the Cotswold Canals. We believe that a Stroud DC meeting early in October will formally ratify this. Our current best estimate is that we will be able to either give the canal back to the Company of Proprietors' or assign the lease to Stroud DC by the end of the 2008.

7.2 Helix

The additional Scottish Government funding has been confirmed at £1.5m. Discussions are ongoing regarding a number of mitigation measures to counteract cost overruns for the project including: targeting additional third party income; commercialisation of the site; effective procurement policy and efficient project management; and reduction in the overall scope of the project in agreement with BIG and our partners.

7.3 Pontcysyllte World Heritage Site application:

The UNESCO Assessor will be visiting at the end of September. We are working with partners to ensure that his 3-day visit showcases the Nominated site and our management of heritage assets as well as the opportunities for improved leisure development. We made a presentation to the recent HLF Wales Board meeting which was well received and the site was featured on *Countryfile*. Development of funding bids is ongoing with partners although there is still a concern over recent HLF attitudes to canal bids following our withdrawal from the Cotswolds Canals project.

Funding has now been secured from the Rural Development Plan for a community officer to work with communities along the WHS corridor. It is hoped that the already secured £184,000 will be doubled with the successful outcome of a Big Lottery People & Places bid – the outcome should be known at the end of September. If the whole package is available a variety of works will be undertaken including volunteering, events, interpretation and capital works such as access improvements.

7.4 Bingley 5 Rise

As part of proposals to improve interpretation and increase visitor numbers to Bingley 5 Rise Locks, we have had a positive meeting with HLF who have expressed support for a bid to rebuild the lock cottage to provide interpretation space. We are progressing a bid with a range of partners from the public sector, community representatives and waterway businesses.

8. CORE WATERWAY

8.1 Processing of Dredged Canal Sediment – Grantham Canal

A trial of the processing of dredged canal sediment for commercial sale is being carried out on the Grantham Canal in Leicestershire. Funding has been obtained by and from Melton Borough Council, and Market Testing and Sediment Analysis trials are being carried out in Sept 2008.

8.2 Freight

Abnormal load movements on the River Trent commence in September, for the delivery of 12 generators/turbines weighing up to 300 tonne, for the new power station at Staythorpe. This will involve 12 one day closures spread over the September 2008 to March 2009 period. Approximately £25k of stoppage/supervision income will be generated.

London Docklands: Aggregate barge movements into the dock continued with tonnage carried through the West India Dock lock to the Korsar concrete batching plant totalling 17000 tonnes in July with a further 15500 tonnes projected during August. Income remains broadly in line with expectations although there is still a risk that the plant could be relocated to a river location to service a 1.7 million square feet development being constructed by Canary Wharf at Riverside. The proposed location has a number of challenging issues and this matter should become clearer over the next month or two.

8.3 Floating Pennywort Removal

A joint event was held with the Environment Agency and Leicester City Council on 5/6 August to remove floating pennywort in Leicester, with volunteer office staff from EA and Leicester City Council. There was media coverage by BBC, Central TV and Leicester Mercury. The event was successful in raising the profile of the problem, how the public can contribute as volunteers, and the need for multi-agency working. An application for funding from Leicestershire County Council is being prepared to contribute to future years work.

8.4 Pollution Incidents

During July there was a pollution incident on the Rochdale Canal between locks 64 and 65. It is estimated that over 15,000 fish were killed. The environment & heritage team and waterway operatives have worked tirelessly removing the dead fish from the canal and also assisting the Environment Agency with their investigation. Initial findings suggest that a herbicide entered the canal and investigations are continuing to find the source of the pollution.

A further intermittent pollution was experienced on the Upper Peak Forest Canal. Large numbers of distressed fish were spotted near New Mills. Working with the Environment Agency, dissolved oxygen levels in the canal have now been restored.

8.5 Potential New South East Regional Office

Following the stalled development progress of the large mixed use scheme at Campbell Park, Milton Keynes, the South East Business Unit has been investigating local canal side alternatives. A further opportunity in the Campbell Park area, currently under the control of Milton Keynes Parks Trust, has now arisen and is being cautiously advanced. The proposed building, which needs to incorporate a café/coffee shop outlet, would house the office needs as well as specific boater facilities. Timescales, if successfully advanced, could integrate with the first break opportunity of Elder Gate in July 2010.

9. VENTURES

9.1 Edinburgh Quay

The Board is asked to approve the appointment of Katie Hughes, Senior Property & Regeneration Manager, Scotland, to the Board of Edinburgh Quay in place of

Richard Curtis. She will take on Richard's property responsibilities in Scotland generally over the next few months.



ROBIN EVANS