

MEMORANDUM TO THE BOARD

CHIEF EXECUTIVE'S REPORT

1. STAKEHOLDER RELATIONS

1.1 Scottish Parliament Elections

Following the elections for the Scottish Parliament on 3rd May, there is a new political context in Scotland. SNP has formed a minority administration with Alex Salmond MSP as First Minister. He has introduced a slimmed down Cabinet of six Cabinet Secretaries supported by deputy ministers. To ensure the successful passage of the SNP governmental programme through Parliament he will need to achieve the consensus of the other parties.

Assuming BWS remains within transport, John Swinney MSP, as Cabinet Secretary for Finance and Sustainable Growth, has overall responsibility for BWS. He has two Ministers reporting to him and BWS falls within the remit of the Minister for Transport, Infrastructure and Climate Change - Stewart Stevenson MSP. BWS will meet with him when his diary permits.

BWS has also written to all riparian MSPs, many of whom have been re-elected, inviting them to meet with Campbell Christie and Steve Dunlop to discuss issues affecting their particular constituency.

1.2 Scottish Local Council Elections

Following local council elections which also took place on 3rd May, there has been a political shift in the running of several councils on the canal network in Scotland with several newly elected councillors and an increase in the number of SNP councillors. BWS is targeting the councils with significant changes which are of particular interest to the regeneration of the canals eg. Edinburgh and West Dunbartonshire Council.

1.3 Welsh Assembly Government Elections

Following to the recent elections, the structure of the new Assembly is still to be confirmed and the impact on WBC is uncertain. WBC intends to use the Royal Welsh Show (week commencing 23rd July 2007) as the first significant opportunity to develop new relationships with the new Government.

1.4 Sustainability Development and the Green Agenda

BW is committed to Sustainable Development and we have embedded many of the principles within our policies and procedures. Whilst remaining committed to the overarching concept of Sustainable Development, we must recognise that both the public and political spotlight is currently on the energy and resource element as we all try to find a solution to global warming. There will be increasingly high expectations of us because of who we are and what we do, to demonstrate a very real and practical contribution to reducing our energy use and use of primary

materials. We also need to be seen to be promoting the green advantages of the canals for tourism, freight and the health and well being of local communities.

Although a good deal is happening on the ground, we have struggled to find relevant measurable metrics which we can use to report our achievements.

Unfortunately there is a vast amount of advice and very little clarity or consistency in defining, measuring or reporting on sustainable development, 'carbon footprint' and recycling. The danger is that we get bogged down in the intellectual debate at the expense of firm practical action.

Our strategy is therefore as follows:

1. We shall use the Global Reporting Initiative to guide us as to the activities we should monitor and report on in respect of Sustainable Development. We shall not use the GRI exact measures or standards as these are too detailed and too onerous for us at this stage but this is a long term goal. Our application of GRI is set out in Appendix 1.
2. *Carbon Management*
Our environmental policy commits us to managing our environmental impacts, including reducing the use of non-renewable resources such as oil and gas. Our Commitment to Sustainable Development states that we will use natural resources prudently, including ensuring the efficient use of energy.

The use of energy is a necessary part of our business and to simply reduce energy use could lead to other adverse environmental impacts. For example, our efficient use of water in the network relies on pumping.

BW accepts that we, like all companies and public bodies operating within the UK, must act to deliver UK's commitment to a reduction in carbon dioxide emissions. We will do this by continuing to acquire at least 95% of our electricity from 'green' sources and by investigating and attaining greater efficiency in total energy consumption.

In 2004 we committed to reducing CO₂ emissions from employee vehicles by reducing business mileage to 6 million miles pa by 2008 (a 10% reduction compared to 2003/04). We have already achieved this target and are striving to deliver a greater percentage reduction by 2008. Our liveried vehicles only do essential mileage but to reduce emissions we are progressively improving the engine types used. All new vehicles, liveried or company cars, will be Euro IV or better.

We must not be complacent and must continue to challenge ourselves to reduce our carbon emissions in all other areas. To this end we have embarked on a strategic approach to carbon management. We are committed to increasing our **understanding** of the carbon we use and emit. This will include looking at the embedded carbon in materials we use and the carbon impact of our suppliers.

As our understanding increases we will be **setting targets** for aspects of our business that will deliver reductions in carbon emissions, ensuring we manage and control our activities that contribute to carbon emissions.

We will be **monitoring** our performance and **reporting** on how we have done in moving towards our targets.

We will also encourage the use of our network for activities that reduce carbon generally. We will lobby for greater financial support to make waterborne freight a

more viable proposition for BW and operators. We will also provide the use of our waterways for micro generating and cooling of waterside developments.

We will help those who use our system to reduce their footprint. We will encourage moves towards fuel efficiency and the electricity supplied at moorings will be from renewable supplies. We will work with other navigation authorities and stakeholders to promote the low carbon leisure opportunity represented by inland boating.

Where we are involved in developments, directly or as a partner, we will ensure that any new building or refurbishment takes the widest possible consideration of environmental impacts and, in particular, is planned and carried out to deliver enhanced energy efficiency.

2. MARKETING & CUSTOMER SERVICE

2.1 Marketing Strategy Implementation

We have significantly advanced our ability to implement the marketing strategy agreed by the Board last September.

B2C

We have appointed McCann Erickson Birmingham as our marketing agency to focus on the drive to increase visit numbers. The appointment came from a very competitive (OJEU) tender process in which over 50 agencies started. We chose McCann Erickson for their strategic breadth of thinking, depth of understanding, disciplined creativity and willingness to challenge us.

The first 100 days of work with the agency will result (using the agency's 'demand chain' process) in a detailed marketing plan with agreed targets. In parallel we will also test a number of 'quick to apply' marketing ideas to give us a stronger view on what will work.

McCann Erickson is the major part of the Interpublic Group, a quoted US multinational communications business. Founded in 1902 it spans 127 countries worldwide and works for more of the world's top 100 brands than any other agency group – L'Oreal, Coca Cola, MasterCard, Cathay Pacific, General Motors, Microsoft, Nestle, Sony, Hitachi. McCann Erickson has four agencies in the UK located in London, Birmingham, Bristol and Manchester.

McCann Erickson Birmingham is a wholly-owned business that independently reports to its HQ in New York and has a turnover of £52 million. It targets medium sized UK businesses as its main client base. BW will be one of its top 20% clients. The business specialises in integrated communications delivered through specialist skills in PR, advertising, direct mail, research, marketing strategy, events management, media buying and digital. Current clients include: David Wilson Homes, Chiltern Railways, Advantage West Midlands, M&B Ember and Sizzling pubs, Mercedes Benz World and Centro West Midlands.

B2B

We have refined our plans to deliver in this area too. To achieve this we will be promoting BW as:

- a good and successful partner
- a lead body in sustainable regeneration
- a significant contributor to the environmental agenda

The headline plans for 2007/08 are:

- promoting marina development (including tackling an adverse planning environment)
- upgrading content on our corporate website to support business development
- improving service to B2B customers especially boating businesses via a programme of account management training and process improvement
- upgrading content on our corporate website to support business development
- promoting a more sympathetic planning regime in general (medium term targets are to capture a share of Planning Gain Supplement and promote the creation of a Planning Policy Statement for the waterways)
- promoting freight traffic
- a widened contact programme to embrace major RDA and local authority partners
- continuation of our successful contact strategy with Parliamentarians
- a specialist, trade and national media relations programme to support all of this.

2.2 Customer Service Transformation

B2B Relationships

Appropriate elements of the B2B development programme (see BWB3273) are progressing. June 28 is the date for a seminar with the boating trade. HR's leadership development programme will help considerably in focussing minds on profitably satisfying customers through the B2B strategy. A bespoke twelve month B2B mentoring programme has been tendered. Its objective is to help all BUs (including the centre) identify barriers to B2B relationship improvement and understand how to overcome these as well as setting up an appropriate process for monitoring/tracking our client account management against milestones.

Talking to Customers

Between January & March 2007, 611 BW people from all parts of the business participated in *Talking to Customers* a series of one day group workshops designed to focus on achieving positive outcomes from all interactions with customers. It embraced written, telephone and face to face communications. The value of bringing mixed groups (by both function and level) together to consider such basic customer service tools was evident. The programme is to be rolled out to all remaining employees from July 2007 to March 2008. A programme will be made available to board members should they wish to attend all or part of a one day session.

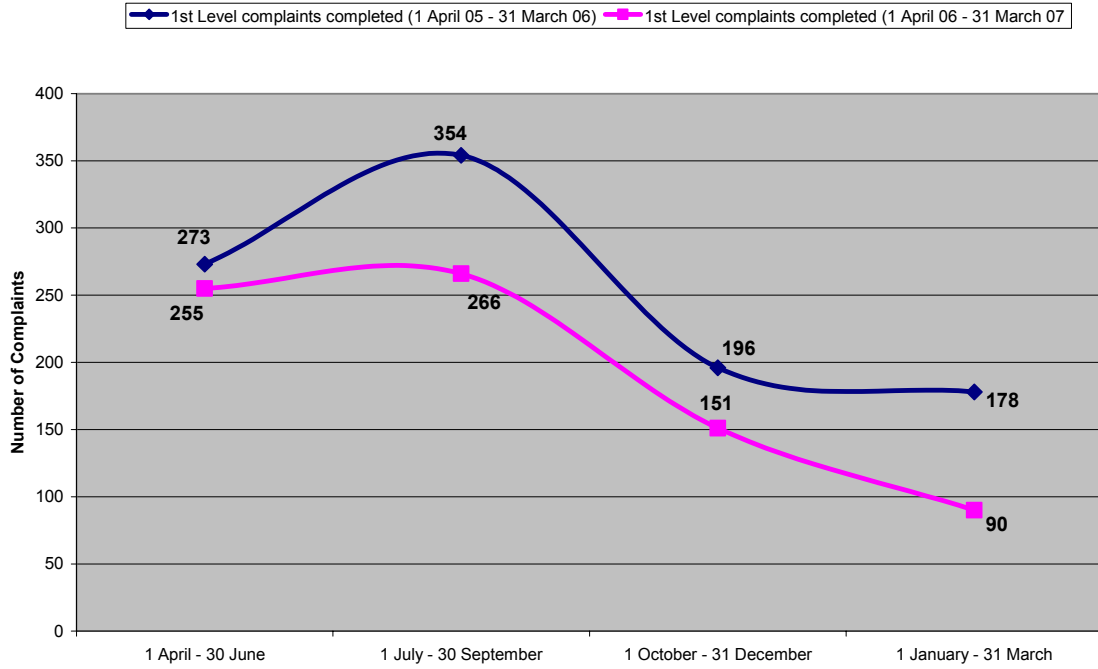
Customer Service Standards

Integrated standards i.e. both physical and behavioural are well advanced for completion and application throughout the business on target from July 2007 onwards.

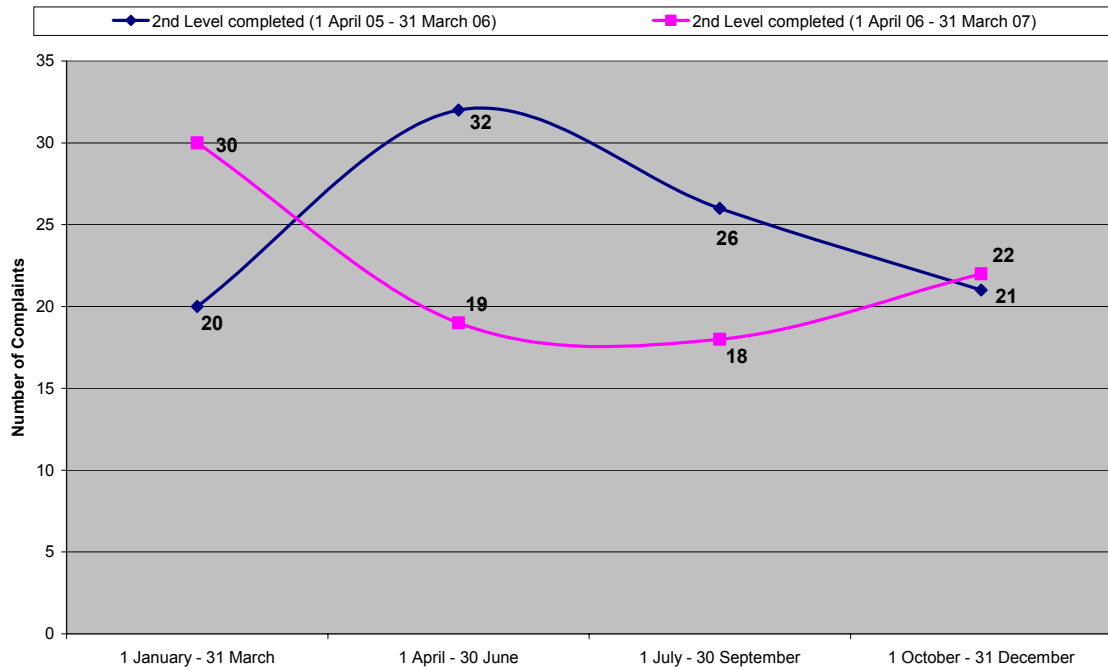
2.3 Marketing and Customer Service

Complaints Quarter 4 2006/07 – Volume at Levels 1 and 2

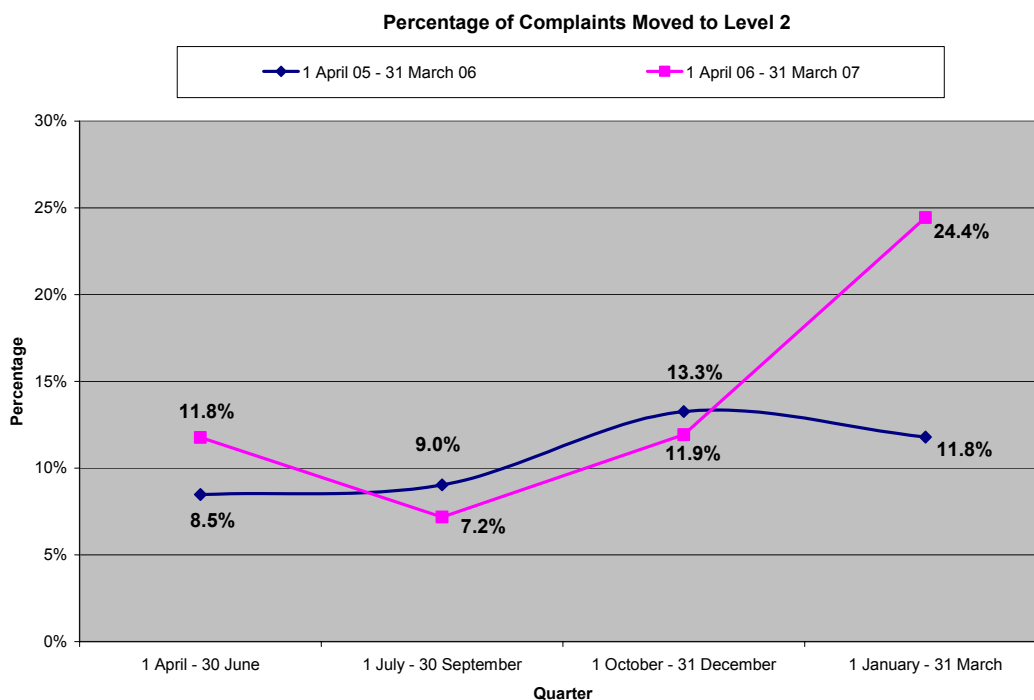
Number of Complaints per Quarter



Number of 2nd Level Complaints per Quarter



Percentage of complaints moved to Second Level



Complaint volume for the financial year 2006/7 (762) is down by 24% compared with 2005/6 (1001). Level 2 complaints for 2006/7 (89) are also down although by only 10% compared with 2005/6 (99).

Although the overall volume of complaints is similar year on year, the number of complaints moved to the Second Level has increased this last quarter. In Q4, 24.4% of complaints were moved to Level 2 compared to 11.8% in the same period in 2005/6. This change will be monitored to see if it continues.

From January 2007 we moved to our new standard to complete all complaints in 15 working days. The average number of days taken to respond fully to a complaint in Q4 was 7.7 working days. In the same period, the percentage of complaints responded to within 15 working days was 93%.

Waterways Ombudsman cases - 2005/06

	2005/06	2006/07			
	Q4	Q1	Q2	Q3	Q4
Number of cases accepted by Ombudsman	9	6	4	5	11
Number of cases completed	10	5	10	4	7
Number of completed cases with maladministration found. Includes (1) = partial finding of maladministration	5 (3)	2 (1)	7 (7)	3 (1)	2 (1)
Complaints accepted as % of BW level 2 complaints	43%	20%	21%	28%	50%

The Ombudsman recently met with the Executive Directors and privately with the Chief Executive to review current process and exchange views on where improvements could be made.

Visit Numbers

Headline visit numbers for April were 27 million, up from 17 million in April last year (like for like basis). Easter was included in the relevant period in both years, but the weather was poor in 2006 and particularly good in 2007.

Despite the welcome increase for April, we have concerns that the survey may be under-reporting, perhaps because questionnaire length has gradually increased. Action is hand to test this and remedy it if necessary.

2.4 Market pricing of BW long term moorings

We have publicly announced our plans to run a trial of tendering vacancies that arise at our directly managed long term moorings. During the trial, this will replace the current waiting list system. Response from national boating consumer groups has been hostile, with their main concern being 'priced out of boating'. Despite our long standing commitment to market pricing, there is still a perception amongst traditional boaters that BW should be able to subsidise moorings to make them accessible to the less wealthy. Individual letters to people on the waiting lists has resulted in some negative feedback, but the volume is not very large so far. We are reassuring people that full formal consultation will take place during the latter period of the trial.

Feedback from boat builders and brokers exhibiting at the Crick Boat Show was very positive. They have a clear understanding that this move will improve the efficiency of the inland moorings market, with knock on benefits to the waterways boating business more widely.

Customers are now able to register interest in taking part in the trial at www.waterscape.com/bwmooringtenders , and a total of 555 people did this during May. Marketing of the opportunity will be stepped up as we approach the launch of the first set of vacancies for tender, expected at the end of August.

2.5 Media Relations

BW's planned strategic review of future funding options led to a sensationalist *Times* headline (24 May 2007), "*Government considers £1bn sale of waterways*". BW responded to our stakeholders immediately with a letter explaining that privatisation was neither Government or BWB policy, but that it had been included to present the widest possible range of options for consideration.

The next day the article was followed up by a more balanced article in the *Daily Telegraph* entitled "*Canals could be privatised under waterway review*", while *The Guardian* (26 May 2007) dedicated a leader to writing about "*In praise of.....Canals*" supplemented by a full page article. Subsequently *The Sunday Express* called on the public to "*Save our lovely canals*". I was interviewed on *Radio Five Live!* about the review.

On 1 June *The Times* returned to the issue with a comment piece by Ben Macintyre entitled "*What's long and wet and under threat?*". The article celebrated the renaissance of the canal network under BW's stewardship.

Media coverage in the last two months also included the launch of our fourth annual Wildlife Survey (Radio 4 'Today'); the commencement of works at Prescott Lock and its contribution to the Olympic green legacy (Daily Telegraph); BW's recent waterside business survey and our success in attracting local businesses to locate alongside waterways (Daily Telegraph); the theft of a hireboat from Cheshire prompted widespread coverage; Birmingham waterside regeneration and the role of ISIS (Times – Bricks & Mortar Section).

2.6 Abandoned Schooner – Gloucester Docks

We have enjoyed a great deal of publicity in respect of an abandoned vessel in Gloucester Docks. This twin masted schooner has been valued at £145K. We have executed a Section 8 seizure of the vessel and are shortly to advertise it for sale. We are owed around £11K and will recover this from the sale proceeds. The story has been featured on local and regional radio and television. It was also featured in The Times and The Daily Telegraph. The General Manager also took part in a radio show in Dublin which featured the story as a result of a link between the vessel and an Irish reality television programme.

2.7 Political Activity

Parliamentary relationships

A dinner was held for Conservative parliamentarians on 2 May. A wide range of topics were discussed, including ongoing waterside regeneration projects and BW's future funding issues.

Following the Adjournment Debate in December last year, a further two debates have taken place at Westminster. On March 27 over a dozen MPs debated "The Waterways of the West Midlands", referring to numerous concerns raised by constituents about the current condition and future funding arrangements for waterways in this region. This Debate was quickly followed with another, led by Michael Fabricant MP, (Con) for Lichfield, focusing on BW's work in maintaining and improving waterways.

Efra Select Committee

The Chairman has kept the Board informed through e-mail.

The Waterways Minister gave oral evidence on 23 April to the sub-committee, at what was anticipated to be the last oral evidence session on this particular enquiry. In presenting to the sub-committee, the Minister raised doubts about BW's forecasting abilities and the information that had been provided to his department to assist in reaching a settlement for the forthcoming Comprehensive Spending Review period.

As a result of these doubts being raised we were asked to re-attend the enquiry, with Tony Hales, myself and Jim Stirling giving evidence on 8 May. Oral evidence was supported by a chronology of correspondence provided to the sub-committee before the session.

The sub-committee is now expected to publish its report during June, with a Government response in the Autumn. Prior to the completion of the report some sub-committee members will visit the Prescott Lock site by boat to view the work now underway.

Full transcripts of the hearings can be viewed on:

<http://www.publications.parliament.uk/pa/cm200607/cmselect/cmenvfru/uc345-v/uc34501.htm>

<http://www.publications.parliament.uk/pa/cm200607/cmselect/cmenvfru/uc345-vi/uc34501.htm>

We do not anticipate being called back again and believe the report will be published in July/August.

2.8 The Waterways Trust

Relationships with TWT have developed well and a clear framework for future planning is established. A study has been commissioned to determine in what form a future public offer at Gloucester could work on a break even basis. BW is 50%

funding this study and driving its conclusions to a more effective and efficient application of its investment in TWT.

TWT's fundraising and work of a community/social development type works very well in Scotland. All BW's business units will be encouraged to consider TWT as a potential delivery vehicle for such outputs in their own areas. This could provide both local efficiencies and / or reduced requirement for BW general funding of TWT.

2.9 Freight

BW wants to see freight traffic increase on its waterways but has increasingly been concerned that new traffic often costs BW money thus diverting scarce resource from infrastructure maintenance.

We are also concerned that in the freight sector, there is too much concentration on BW as the sole source of encouragement for waterway freight and not enough on the role of government(s) and transport policy.

To address these issues, BW commissioned economic consultants OXERA to review the situation and make recommendations for change. A full copy of the final pre-publication report has been sent to the Board members with special interest in this subject (Messrs. Bowker and Fleming) and an email copy is available to any other Board member on request (call Kerry Burnay 01923 201173 or email kerry.burnay@britishwaterways.co.uk)

The report took the form of an economic analysis of the data relating to existing traffic flows where any substantial amount of data exists. This was primarily in the Yorkshire business unit, though case studies in the South West and London units were also included. Such traffic data is not available for Scotland, but there is no reason to assume that the principles deduced would not hold good in Scotland as for the rest of the United Kingdom.

In summary the report says:

BW issues

- Current toll charges cover marginal costs
- BW could realistically consider raising toll charges for existing traffic to cover incremental costs (a rise of 25-30%)
- BW should consider more use of differential pricing, in particular:
 - higher charges for stretches with more manned structures
 - lower charges for short distance flows (the reverse of present situation)
 - any changes could be phased

Wider policy issues

- Waterway freight grants could potentially be increased if the DfT were persuaded to differentiate current Sensitive Lorry Mile values between waterway and railway freight
- External benefits derived from waterway borne freight exceed grants given currently.
- The waterway freight industry derives much of its cost advantage (where this exists) from lower fuel duty. Maintaining this benefit is crucial to its future survival.
- Many of the vessels used by the waterway freight industry are old. Recent experience suggests that new vessels can only be funded by grant – there is no commercial return available for the capital involved.

The report of the EFRA Select Sub-Committee is likely to contain advice on freight. BW should use the OXERA report to respond positively to this and to move the agenda on to a partnership between BW and the industry to work with government(s)

to achieve favourable conditions for the industry to grow. The government in Scotland is likely to be faster moving and more proactive than its counterpart in England and Wales, but both need to be addressed.

3. RISK ISSUES

3.1 Third Parties unauthorised access

Welsh Water's contractors were discovered having driven a 3 ton Land Rover onto the towpath of the Swansea Canal without our knowledge or permission to access a manhole on the main sewer. On our instructions they were removed from site. We have now met with Welsh Water, their agents, and contractors, and are working on a protocol to prevent this recurring. Welsh Water acknowledge the need for improvement and is being cooperative.

Network Rail's contractors were discovered excavating and replacing a drain on our property, on the Monmouthshire & Brecon Canal, immediately adjacent to the canal, without our knowledge or permission. The contractor was stopped from working and we are in discussions with them to review their work on our property, the safety of their methods of working and their non compliance with BW process.

4. STRATEGIC PEOPLE ISSUES

4.1 Senior Management Forum - May 2007

We meet with our top 100 managers twice a year to review progress and address priorities for the future. We had three themes:

Leadership
Visit Numbers
Environment/Carbon reduction.

For the first time we invited external speakers and this was a great success.

Leadership

Rachel Woolf from the Centre for High Performance Development, who we have recently appointed to work with us on a development programme for directors and senior managers

Visit Numbers

Tom Hawthorne from McCann Erickson, who we have recently appointed to run national and local campaigns to increase visit numbers.

Environment

Barbara Young of the Environment Agency spoke passionately and openly about our duties, responsibilities and opportunities to contribute positively to the Climate Change agenda.

John Gummer M.P. and current chair of the Conservative think tank on Environment, spoke about the success of BW and the role we could play in changing the built environment and improving the carbon footprint of development through our property and regeneration activity.

4.2 Employee Survey

We undertook a shortened employee survey during March/April to assess the satisfaction levels of our people following the recent restructure. The response rate was 78% and the key headline results compared to the 2006 survey and UK norm levels were as follows:

	2004 Result	2006 Result	2007 Result	UK Norm
Satisfaction with present job	71%	80%	64%	77%
Satisfaction with BW as employer	55%	70%	51%	75%
Motivated in present job	60%	69%	57%	68%
Loyalty to BW	57%	70%	55%	N/A

The independent survey specialists who managed the survey commented that the results were to be expected and are not uncommon in the time following a business restructure especially where redundancies are involved.

Our challenge is to rebuild levels of trust and confidence and we have identified a number of short term and longer term actions focussed on leadership development and improved communications. Some focus group research will also take place to understand the detail of some response areas.

Copies of the full survey results can be supplied if necessary.

4.3 Head of Project Management

This new role has been created to introduce greater effectiveness, clarity and consistency in our various project management activities. We are making improvements to the pre-delivery aspects of major infrastructure expenditure and this new role will concentrate on the delivery side improvements at both national and waterway level. Project management skills will be improved and increased efficiency will be achieved. Bill Alexander from the Big Lottery will take up this role on a 3 year contract basis in July. Bill has wide experience in project management having also worked for the Millennium Commission and in private sector civil engineering project management.

4.4 South East Business Unit - Witan Gate House Relocation

Heads of Terms have been agreed to relocate from Witan Gate House to Elder House, Central Milton Keynes with Tyne & Wear Pension Fund (c/o Arlington Property Investments).

4.5 Functional Teams

Operational staff commenced working in the new functional teams from 1st April. Early indications are very positive in particular the exclusive length inspection team and the work of the rapid response squads. The fact that staff are able to focus on one area without being pulled off for other work has had a noticeable impact. This also seems to be helping to lift morale as staff have a sense of achievement about completing a task. The recruitment process for hiring new staff was also greatly assisted by being able to focus on defined skill sets.

5. LEISURE

5.1 Crick Show

The 3 day show was again staged over the late Spring bank holiday (26th-28th May). Despite the opening day (Saturday) being a record day for visitors – around 5000 in total – the very wet weather during the following 2 days slowed attendance overall to 7800 visitors, some 26% below last years levels. However, the record number of exhibitors (at 293, the highest ever) seemed to have achieved good levels of business overall.

Richmond Event Management managed the event on behalf of the SE Business Unit for the first time. This worked well, allowing SE management to take a more strategic view and together logistics can be improved for next year.

5.2 Kiveton Park Fishery

A formal ceremony was held in May at Kiveton Park Fishery to mark the completion of the legal transfer of this site from Yorkshire Renaissance to British Waterways. The event attracted much press attention locally. The site is to be managed by tenants who are looking forward to working with British Waterways' staff to make this a popular angling destination.

5.3 The Grantham Canal 2007 IWA Trailboat Rally

The Rally was held over the bank holiday weekend. Despite the poor weather the event attracted in excess of 40 boats and several thousand local visitors. The Grantham Canal Partnership, who organised the event, did an exceptional job of rallying local businesses to support the cause and the canal has benefited from considerable press and media activity.

6. RESTORATION/REGENERATION

6.1 Status of the European Audit

In December 2004 & January 2005 the European Court of auditors visited ERDF projects supported under the 1997-99 programme. This visit resulted in requests for additional information and justification in support of nine issues raised. At that time, if the information was not accepted the full Grant of £4.6m was potentially returnable.

The Scottish Executive forwarded our additional submissions in August 2005. We were contacted by Strathclyde European Partnership, who coordinates grant applications on behalf of the Scottish Executive, on 26 April 2007 with a request for an urgent meeting. This meeting was held on 2 May.

We were advised that of the 21 'sponsors' reviewed, 15 still had issues, and that we were one of the few to get significant movement. Of the nine points which were outstanding, only three remain. This leaves a potential liability of just over £1.1m. The feeling from the senior Civil servant present was that there will be no formal decision for possibly up to 12 months.

6.2 Stourport

The Chairman jointly officiated with English Heritage chair, Sir Neil Cossons, at the launch of an English Heritage book at Stourport. EH were complimentary about BW's work at Stourport and are to use the site for a team event to see a practical application of heritage conservation works.

6.3 Caldon Canal

English Partnerships now wish to invest £725k in 2007/08, an increase of £225k to complete towpath improvements in the City Waterside regeneration area. This will fund washwall repairs as well as a high quality towpath surface which meets our own

objectives of utilising third party funding to improve our assets and reduce on going maintenance costs. However EP has decided to contract directly with Stoke on Trent City Council, to act as fund manager, who will then in turn contract with British Waterways. The project is currently stalled as BW have been waiting, since the 1 April, for a funding agreement from the City Council which is 'back to back' with the English Partnership agreement. EP are becoming increasingly frustrated with the delay caused by the City Council which could threaten the project. To assist the delivery we are currently trying to persuade EP to contract BW directly.

7. PROPERTY

7.1 Millgate – Newark

The appeal heard by the Independent Inspector into the refusal of permission for the proposed British Waterways and Redrow Homes development at Millgate in Newark, has been upheld. The Planning Inspector found that the application does conform to Newark & Sherwood District Council's planning policy and is an appropriate development for the site. The inspector found that the development will preserve the character and setting of the listed White House and the character and appearance of the Newark Conservation Area. The deal can now be finalised with Redrow Homes. CIG has approved this deal, with the Commercial Director's delegated authority.

8. LEGAL AND REGULATORY ISSUES

8.1 Port of Weston Harbour Revision Order

Following objections to the draft HRO made by the Manchester Ship Canal Co (MSCC) and IWA, there will be a public inquiry to test the requirements of the draft HRO, dates have been set for this for 17-21 July 2006.

It is our view that that the objection raised by the IWA can be readily overcome. That of MSCC appears to be without substance though and more of a competitive ploy following their failure to procure the docks last year.

MSCC is a subsidiary of Peel Holdings, our JV partners in Gloucester. Our relationship there is not damaged by this separate Weston Harbour issue.

9. CORE WATERWAY

9.1 Kennet & Avon – Lock Gearing

We have been conducting a survey of lock gearing on the K&A using equipment to measure the turning force required. The results of this confirm our decision to introduce reduction gearing as a way of enhancing access to the canal for a wider constituency and reducing the risk of injury. The results also show that there are a number of locks that don't need the reduction gearing to bring the forces required into an acceptable range. Once we have presented these results to the K&A Trust and User Forum (who have been complaining against reduction gearing per se) we will begin a process of removing the reduction boxes where appropriate to do so. This issue has been the number one cause for complaint in the past two years.

9.2 Hempsted Bridge Closure

As a result of the opening of the new section of the South West Bypass on 25 May, Hempsted Bridge has been closed to road traffic. Thus this is now a pedestrian bridge only. Our priority is to have this removed once the second new bridge is opened in February 2008. Hempsted is in poor condition and we cannot afford to man a bridge for a small number of pedestrians. This is likely to be a contentious issue locally though we have the support of the County Council at this stage.

9.3 Rochdale Canal – Maden Fold Farm Embankment Damage

BW obtained an injunction against Mr Jones following the initial damage. Further damage has occurred to the embankment and the balance beams of the adjacent lock. BW has taken legal action with regard to Mr Jones' alleged breach of the injunction and he is due in court on 13th June. Morrisons are due to mobilise to site on Tuesday 29th May to facilitate the repair of the embankment and the balance beams. The canal will reopen to navigation on 6th June, with work continuing thereafter.

9.4 Leeds and Liverpool Water Resources

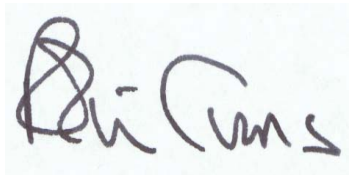
Following a dry and busy Easter period the Leeds & Liverpool reservoir holdings were significantly down against the long term average. The Yorkshire and North West have encouraged the users to conserve water and also met with key users to discuss possible mitigation measures.

After a wet May the Leeds & Liverpool reservoirs are showing some recovery. Nationally the water resource position is satisfactory for the time of year.

9.5 Project Approvals

I have approved the following projects:

- **Patch Bridge Renewal – Gloucester & Sharpness Canal**
£850K for the design and implementation phase of the project to partially replace this bridge
- **Castle Marina Footbridge and Trent Riverside Towpath**
£520K for a new footbridge at the Marina and towpath improvements. £480K externally funded.

A handwritten signature in black ink, appearing to read 'Robin Evans', is written on a light-colored rectangular background.

ROBIN EVANS

June 2007.

GRI Application

	Who	06-07	07-08	08-09	GRI indicator
Economic performance					
Economic value distributed	DH	✓	✓	✓	EC1
Funding from public sources	DH	✓	✓	✓	EC4
Investment					
Non commercial investment in infrastructure including operational infrastructure maintenance and value of volunteers time	DH/GM		✓	✓	EC8
Indirect economic impact - full time jobs supported	GM		✓	✓	EC9
Environmental performance					
Resource use					
Renewable materials used	MC			✓	EN1
Recycled materials used	MC		✓	✓	EN2
Energy and climate					
Energy consumption	MC	✓	✓	✓	EN3
Water					
Total abstraction or potable water use	SG	nd	nd	nd	EN8
Volume recycled	SG	nd	nd	nd	EN10
Biodiversity and heritage					
Land and impact of high biodiversity value	PB				EN11 EN12
Heritage assets:					
Designated heritage assets at risk	NC	✓	✓	✓	
Designated heritage assets protected	NC	✓	✓	✓	
Designated heritage assets repaired	NC		✓	✓	
Designated heritage assets damaged	NC			✓	
Public appreciation of the heritage value	NC/PB	✓	✓	✓	
Habitats protected or restored	PB				EN13
Emissions and waste					
Carbon emissions from energy consumed	PB				EN16
Other carbon emissions	PB				EN17
Carbon absorption - narrative	PB				
Waste by type and disposal method	PB				EN22
Significant fines and warnings for non compliance with heritage and environmental regulations	PB				EN28
Society performance					
Employee					
Employees by employment type, contract, in pension scheme	AJ		✓	✓	LA1
Employees by age and turnover	AJ		✓	✓	LA2
Employees in defined pensions scheme - % and contribution %	AJ		✓	✓	EC3
Employees covered by collective bargaining arrangements	AJ		✓	✓	LA4
Injury, sickness and absence	AJ		✓	✓	LA7
Training	AJ			✓	LA10
Performance and career development review	AJ		✓	✓	LA12
Employees by gender, age, other diversity measures	AJ		✓	✓	LA13
Employee satisfaction	AJ		✓	✓	
Community					
Educational visits	GM	✓	✓	✓	
Disabled access or visits	JB				
Mixed use schemes - value of mixed use schemes completed	AT/QP	✓	✓	✓	

Affordable housing units completed	AT/QP	✓	✓	✓	
Community involvement	GM		✓	✓	
Crime and anti social behaviour incidents	PB				
Brownfield sites: brownfield land remediated/ developed: hectares	AT/QP	✓	✓	✓	
Derelict/ redundant buildings: nr brought back into economic use	AT/QP	✓	✓	✓	
Listed buildings: BW investment in listed buildings	AT/QP	✓	✓	✓	
Buildings: energy efficiency ratings	AT/QP			✓	
Quality of life: health and well being	GM	✓	✓	✓	
Product responsibility					
Assessment of product for health and safety aspects through its life cycle: condition grades of assets	GH				PR1
Visitor risk management	AS	✓	✓	✓	
Workplace risk management	AS	✓	✓	✓	
Non compliance with regulations and codes concerning health and safety of product: H&S warnings and actions	AS	✓	✓	✓	PR2
Near misses	AS	✓	✓	✓	
Product and service information - availability and percentage covered					PR3
Customer service					
Customer satisfaction	JB				PR5
Customer visits	JB				

GRI indicators are measures recommended by the Global Reporting Initiative, an international organisation promoting consistent standards of sustainability reporting.

Coloured areas represent possible inclusion in Annual Report

AJ Andrew Johnson, AS: Tony Stammers, AT: Alan Thake, DH Debs Hurst, GH Graham Holland, GM Glenn Millar, MC Mick Crowder, JB Jonathan Bryant, HR HR Manager, NC Nigel Crowe, NCh Nick Cheesewright, NJ Nigel Johnson, PB Paul Beckwith, QP Quentin Pickford, SG Steven Goode

nd: no existing data capture in place

Narrative section					
Financial implications from climate change					EC2
Initiatives for energy savings or renewable energy					EN6
Initiatives to reduce indirect energy consumption					EN7
Plans for managing impacts on biodiversity value	PB				EN14
National conservation species in areas affected by operations	PB				EN15
Initiatives and achievements to reduce greenhouse gas emissions	PB				EN18
Initiatives to mitigate environmental impact, eg dog fouling	PB				EN26
Environmental protection measures and investment by type	PB				EN30
Skills management programmes for continued employment or career ending	AJ				LA11
Programmes to assess and manage the impact of operations on communities					SO1
Participation in public policy development and lobbying					SO5
Legal actions for anti competitive behaviour	NJ				SO7