

MEMORANDUM TO THE BOARD

CHIEF EXECUTIVE'S REPORT – MAY 2008

1. STAKEHOLDER RELATIONS

1.1 Chairman's re-appointment

Jonathan Shaw has written to the Chairman confirming his re-appointment for a further 3 year term.

1.2 Ministerial Visit

The Secretary of State, Hilary Benn MP, visited the Prescott Channel site on 7th April 2008 with Tony Hales and Mark Bensted, a visit which received good press coverage.

1.3 Estates Liaison Meeting with Government

Our six monthly property and ventures report was submitted to Defra, Shareholder Executive and Scottish Government and discussed with them in depth at our Estates Liaison meeting.

The meeting went well. Shareholder Executive was strongly in the lead on seeking to understand how we were managing risks and exposure in the current market, particularly at Gloucester and in Isis. I believe that they felt we were as on top of any issues and concerns that they could think of, but everyone recognised that this could become very uncomfortable.

DEFRA was particularly interested in our progress on a number of policy matters. They cover:

- Our public benefit KPI's
- The community Infrastructure Levy
- Development in floodplains.

Our briefing papers will form part of the agenda for the forthcoming Inter Departmental Group meeting, chaired by the Minister. We are providing two other papers for this, namely:

- Planning policy issues generally
- Implications of the Sub National Reviews.

All five of these have substantial implications for us, where we are seeking Defra's help. In particular, the opportunities (and threats if we don't get it right) from the Community Infrastructure Levy, are substantial. We explained to DEFRA the areas where we expected their support.

1.4 Scottish Government

BWS held its quarterly update meeting with SG civil servants in mid March. The next BW/SG high level meeting is scheduled for 22 May to further progress ongoing discussions regarding transparency and accountability. A timetable to redraft the BWS Financial Memorandum will be discussed as well as SG expectations for efficiency savings and BW strategy regarding our residential property portfolio and commercial property.

Jonathan Hargreaves' appointment as BWB Scottish member with effect from 1st April has been announced by the Scottish Government. The recruitment of additional BWSG members is ongoing with interviews for the appointment of up to 5 new members taking place this month. An induction and familiarisation tour of the Lowlands is planned for June involving current and new BWSG members.

1.5 British Waterways Advisory Forum

BWAF is BW's independent advisory body that is tasked to assist on strategic matters. It is currently chaired by Nigel Stevens of Shire Cruisers. At present BWAF is considering its response/advice to the *Six Challenges* facing BW. It is also assisting in some detailed work on future boat licence fees following the 2007 consultation.

BWAF's heritage sub-group is compiling a list of willing volunteers who have heritage knowledge and can be called upon to advise BW people in each business unit. The sub-group has commented favourably on BW's heritage policy and operating instructions.

Four Board Members are attending the bi-annual meeting of BWAF on 16 May 2008.

1.6 Waterway User & Special Interest Groups

WUSIG is the BW wide consultative forum that also meets bi-annually. It has brought together both boating & non-boating interests and deals with more operational type matters. This new format which replaces separate *Boating Issue* and *Corridor Issue* meetings has been generally well received. The dimensional standards of BW waterways and BW's dredging plans are recurring themes discussed by the group. Verification of gauge and dimensions is work scheduled for completion September 2008. More work is required before a clear approach to dredging that integrates with financial plans can be articulated satisfactorily.

1.7 The Inland Waterways Advisory Committee

IWAC is the independent body that advises Defra on matters relating to all inland navigations. BW attends as an observer and has improved its relationships with this group. IWAC more or less sets its own programme of work which is largely research based. It is currently researching comparator waterway funding models in Europe, evaluating the public benefit of waterways and investigating the waterways potential of new technologies. The Chairman of IWAC is John Edmonds, currently a board member of The Environment Agency.

1.8 Consultation

The approach to consultation is developing on a more systematic basis. An internal guidance note is planned and a draft of this has been well received by customer groups. A programme of Chief Executive customer meetings in each business unit is set up for June & July 2008. This ties in with the programme for consultation on the allocation and pricing of moorings about which many customers feel very strongly.

A customer panel is to be established to advise on the future developments of customer service standards.

1.9 The Waterways Trust

Relationships continue to develop satisfactorily. The future direction of the TWT Museums is agreed, including a reduction in the amount of BW space occupied at Gloucester.

1.10 CLG - Community Infrastructure Levy

Our lobbying during the committee stages of the Planning Bill has led to good contact with CLG and to BW attending the first of a series of briefings for opinion formers to influence thinking on the drawing up of the guidance that relates to the implementation of the Bill.

1.11 Freight

At our instigation, Sea & Water, the government's body for promoting waterborne freight, is holding a discussion round table on 13 May to develop a common platform for the inland waterway sector to promote for mutual benefit.

Simon Salem has also been recruited to the board of Sea & Water.

1.12 West Midlands – Collaboration with Canal Societies

Liaison meetings have taken place with the Staffordshire & Worcestershire Canal Society and (for the first time) the Birmingham Canal Network (BCN) Society. The General Manager attended the former's annual dinner where he was presented with an award for contributions to society's aims. After positive discussions with the BCN Society, they are looking to enter into a voluntary arrangement to maintain a length of towpath. They will provide labour and BW will deliver suitable training to ensure safe working.

2. MARKETING & CUSTOMER SERVICE

2.1 Service Performance Indicators & Visitor Number Reports

In future, quarterly customer service reports will be prepared for the Directors and for the Board. These cover eleven non-financial performance indicators some of which are tracked continuously and others measured once a year. A single customer service rating will be arrived at to provide a ready year on year comparison.

The approved customer service standards are now in place and being tracked against. Methods include existing surveys, mystery shops, and regular management processes such as length inspections.

Customer satisfaction will in future be tracked through the *definitely* score in a *propensity to recommend* survey question. This is judged more relevant than *overall enjoyment* or *exceeding expectations* as the majority of customers are regular and frequent users of the waterways.

The *valued national asset* questions are also being developed to better reflect everyday amenity value of the waterways, rather than measuring the importance the general public professes to place on waterways as part of the nation's heritage. Few people say they don't regard waterways as an important part of the nation's heritage but that doesn't mean they are motivated to participate.

Unique visitors in a research period has replaced volume of visits as the principal performance indicator. The advantage of this is that it provides a measure of the extent to which the waterways offer is reaching individual people. Between January & March 2008, BW's waterways received an average of 2.8m unique individuals in each two week period. This compared with 2.3m (i.e. 22% increase) on January to March 2007.

We will also continue to record total footfall. Between January & March 2008 this was 55m against 51m in 2007 (i.e. 8% increase).

Perhaps the most interesting volume number, though the most problematic to arrive at, is the total number of individuals that use BW waterways over the course of a year, irrespective of frequency of use. We estimate that for 2007 this was around 11.2m.

We will monitor complaints performance by reference to the number of complaints that are referred to and upheld by the Waterways Ombudsman.

2.2 'Yours to enjoy' campaign launch

19 May sees the launch of the 2008/09 marketing campaign to increase visitor numbers under our 'yours to enjoy' banner. The following areas will receive leaflet guides to homes situated near canals and rivers, alongside billboard posters on streets, bus stops and phone boxes, and in train stations.

- Lancaster
- Manchester
- Stoke
- Nottingham
- Birmingham
- Milton Keynes
- London – Paddington-Camden

And activity will continue into June and July in:

- Edinburgh
- Liverpool
- Gloucester
- Loughborough
- East London

A second wave of activity will happen in most of these areas in mid-August.

We have also started to re-brand our vehicles, a really cost-effective way to get our message across.



Staff have been provided with campaign-themed car stickers and an example is included in the board pack. We will test the effectiveness of the campaign using face-to-face market research and looking at visitor survey results and pedestrian counters.

3. STRATEGIC PEOPLE ISSUES

3.1 Leadership Development Programme

The identification of leadership strengths and development needs for all our senior managers has been completed by CHPD. A programme of development workshops are now being planned for delivery during 2008/9. The workshops will concentrate on developing the leadership behaviours of Teamwork, Flexible Thinking, Developing People, Customer Focus and Getting Messages Across.

3.2 Employee Opinion Survey

A full survey of employee opinions and attitudes was undertaken during March. The previous survey took place shortly after the business restructure and redundancy programme of 2006/7 when low levels of satisfaction were recorded. Various improvement actions primarily focussed on leadership and communications were implemented during 2007/8 and the survey results in key areas compared to last year's results are as follows:

	2008	2007
Satisfied with current job	78%	64%
Motivated in current job	69%	57%
Satisfied with BW as employer	70%	50%
Satisfied with leadership of BW	44%	31%.

General improvement levels are pleasing and we are now identifying actions at local and national level to drive further improvements. Full details of the comprehensive survey are available if required.

3.3 Pension Fund Consultation

The 60-day consultation period into the proposed changes in contribution levels commenced on plan on 30 April. The Board will receive a full update at its July meeting.

3.4 Restructure of Financial Controller Responsibilities

As part of our continuing focus on efficiency improvement a review of Financial Controller responsibilities has recently been undertaken and a restructure to reduce costs in this area has been implemented. The roles of Finance Controller, Scotland and Finance Controller, Core Waterway have been combined and Debs Hurst, Finance Controller, Core Waterway has taken on the new combined role. John Wallace, Finance Controller, Scotland will shortly leave BW as a result of this restructure.

3.5 South West Business Unit General Manager

Ian Jarvis, South West Business Unit General Manager, has been seconded to a central team preparing the next 10 Year Strategy for a period of six months. As a consequence John Ward, Asset and Programme Manager, has taken up the role of Acting General Manager. Will Burnish, who transferred to the SWBU in February as Senior Project Manager, has taken up the role of Acting Asset and Programme Manager.

4. LEISURE

4.1 Moorings tender trial

After extensive pre-consultation, finishing with a planned discussion at the British Waterways Advisory Forum on 16 May, the formal consultation period is expected to begin on schedule during week commencing 19 May.

4.2 Licence enforcement

All new recruits to the enforcement teams in the two 'special measures' areas (South East and West Midlands) are in place. There is regular reporting to Directors and General Managers on evasion caseload and progress. Two briefings (north/south) were held for all enforcement staff in April/May with positive feedback.

Every opportunity is being taken to publicise to user groups and waterways media, the increased number of removals of boats using Section 8 and 13 powers.

Consultation has begun on the introduction of a late payment charge (expected to be £180) with introduction planned for this autumn.

As an example of our increased effectiveness, South East business unit lifted as many boats (14) in the first four months of 2008 as it did in the whole of 2007.

4.3 Residential moorings

The enforcement briefings referred to above included a special section on our powers to deal with illegal residential boats. These have now been regularly tested in court (we have always been successful).

At the same time, a working group has been put together to take a longer term view of residential mooring and the business opportunities it offers as well as the operational problems it can bring. This group has made good progress and will report to executive directors in June.

4.4 Foxton

The Foxton HLF project to improve access to this site and facilitate the interpretation of its history is virtually complete. The benefits of the £3 million spend will be celebrated on the 14/15 June at the Foxton Festival.

4.5 Crick Boat Show (24– 26 May)

The show is in its second year of management by REM our events specialist partner. They have had an excellent run in to the show and are on target to meet budget and produce a spectacular event.

Although Crick Marina has been extended REM have not been able to take advantage of the new basin for exhibitor berths due to an issue with planning conditions that has yet to be addressed and that unfortunately renders the event insurance void in the new area. This will be addressed for next years show and the marina operator is identifying additional berths for show use in the existing basin.

5. RESTORATION/REGENERATION

5.1 Pontcysyllte World Heritage Site

The nomination has passed the first technical hurdle and been accepted for assessment by UNESCO. An assessor is due on site in September; we are meeting with DCMS and partner officials on 19th May to discuss arrangements for the Assessors visit.

6. CORPORATE SOCIAL RESPONSIBILITY

6.1 “Canals on your Doorstep” - West London Event

During the weekend of 19th & 20th April, the LDA co-ordinated a weekend where local attractions offered special deals to the residents of West London in order for them to “discover what’s on their doorstep”. British Waterways got involved by organising boats trips from Uxbridge with the West London Floating Classroom on 20th April. Approximately 100 people enjoyed the 2 trips. British Waterways also organised trips from Brentford up to Osterley Lock with the trip boat operator, Canal & River Cruises, during both days. 111 people took part during the weekend.

7. PROPERTY

7.1 Glasgow Canal Regeneration Project – New Vision for Speirs Locks

New design proposals for the area around the historic Speirs Wharf site in Glasgow were unveiled in early April as the latest stage in the long term regeneration of Glasgow’s Canal Corridor. The three masterplan design approaches follow an extensive, and ongoing, community engagement exercise which has seen local residents, businesses and school children input to the plans.

Speirs Locks is one of the most visible locations in Glasgow and the £100m proposals will make full use of this unique position to create a place with a distinct canalside identity. With its elevated position above Glasgow the site has the potential to become a ‘Balcony for the City’ with a mix of residential, commercial, leisure and canal uses.

7.2 Brayford Hotel Development, Lincoln

Plans for a British Waterways property to be converted into a new £10 million 6-storey hotel with associated leisure facilities in Lincoln city-centre have been unanimously approved by Lincoln City Council’s Planning Committee. The plans were submitted by developer Manorcrest and is being managed by the PD North team. Construction is expected to begin in January 2009 and the hotel would be open by the summer of 2010.

7.3 Premiums – North West Business Unit

Negotiations have commenced with a London developer to agree development rights for an exciting new complex close to Manchester City Centre. Above the fourth (to be confirmed) level, the building would project over the canal track to a slight depth over a part of the frontage. There is also a proposed “media wall” similar to that in Times Square, New York. This “media wall” would be the biggest in Europe. The Business Unit is seeking to agree a capital sum in exchange for the overhang and a licence fee, perhaps on a revenue or profit sharing basis, for the “media wall”,

The North West Business Unit are also continuing negotiations with Tesco to grant them rights to construct a new at-grade pedestrian swing-bridge over the Leeds and Liverpool Canal at Sefton in Merseyside.

8. CORE WATERWAY

8.1 Patch Bridge – Gloucester & Sharpness Canal

Our application for a 7.5 tonne weight limit was refused by Gloucestershire County Council (GCC). This was anticipated as it would prevent large vehicles, especially coaches, reaching the Wildfowl and Wetland Trust at Slimbridge. However as a consequence we have had a number of meetings with GCC and are pleased to report that GCC have now agreed to fund a replacement deck and upgrade to 44 Tonnes on a 50:50 basis (previously BW were faced with the prospect of funding £800k of the total £1.2m bill). GCC are also aware of BW current funding restrictions and have offered to fund 100% of the project this financial year with BW repaying its share in 2009/10.

8.2 Office Move – South West Business Unit

The SW Business Unit relocated from Alexander Warehouse to the Dock Office the week before Easter. This entails a significant reduction in office space with an anticipated saving of £40-50k p.a. We have embraced 'New Ways of Working' in the new office, with desks provided on a 60:40 basis, the introduction of a clear desk policy and a central 'registry' for files and documents.

8.3 River Soar – Floating Pennywort

Manual removal of floating pennywort on the Soar commenced in April by the vegetation team. Herbicide application to start in May/June. Material and assistance is to be provided by Centre for Ecology & Hydrology's Aquatic Plant Management Group, as this will be a trial control application for the UK.

8.4 Yorkshire Air Ambulance – BBC documentary

A BBC1 daytime documentary about the work of the Yorkshire Air Ambulance, to be broadcast in September, is to feature Yorkshire Business Unit lock keeper Phil Schofield who recently took part in a day's filming to highlight his life-saving efforts for a couple out boating on the Aire & Calder Navigation in April.

8.5 Montgomery Canal – habitats regulations & positive management

We have been in discussions with Countryside Council for Wales (CCW) about progressing the Conservation Management Strategy (CMS) in Wales. They have asked us to make another approach to Welsh Assembly Government (WAG) on interpretation of the position with respect to the Habitats Regulations (relating to protection of the European-level wildlife site designation in Wales).

We have developed a new approach with CCW aimed at convincing WAG that the Strategy can proceed without needing to claim potentially contentious "over-riding public interest". This will make for a smoother implementation as it avoids any potential challenge from wildlife NGOs and underlines the enhancements to nature conservation value contained within the CMS. Following consultation with our national Legal and Environment colleagues we have submitted a draft for final comments from CCW.

8.6 Vegetation Clearance – Lee & Stort

Extensive vegetation clearance work has taken place on the Upper Lee and Stort to address Minimum Safety issues and the “Veg Pledge”. Clearance of scrub and all but specimen trees has resulted in an open view across the waterway and a clear bank for access from the water. However this has resulted in many complaints from locals complaining about loss of amenity and habitat. We have responded clearly and firmly that we are reinstating the towpath and waterway as it was and creating the opportunity for greater environmental diversity.

A handwritten signature in blue ink, appearing to read 'REMS.', with a stylized initial 'R' and 'E'.

ROBIN EVANS