

MEMORANDUM TO THE BOARD

CHIEF EXECUTIVE'S REPORT – NOVEMBER 2008

1. HEALTH & SAFETY ISSUES AND RISK

1.1 Trent & Mersey Canal

Bridge 20 on the Trent and Mersey Canal near Stensons Lock suffered a partial collapse on the 20 October when a tractor and trailer unit, working for Severn Trent Water, tried to cross over it. The back of the trailer became detached from the tractor and dropped into the canal. There were no injuries but the matter was reported to the HSE. The debris was cleared from the site and the bridge made safe in just over four days. The bridge is grade II listed. The Environment Agency was notified at an early stage due to the large amounts of dry treated slurry that were deposited in the canal. Oxygen levels in the water have been monitored and there has been no risk to people or wildlife. There was considerable media attention in the incident. The operation of moving large quantities of material across the bridge was undertaken without our knowledge or approval. It is clear that the bridge collapse was a direct result of the inappropriate activity undertaken by Severn Trent contractors. We are preparing our legal case to recover all costs associated with repairing the bridge which could be around £300k. A photograph taken at the scene of the accident is attached.

1.2 Safety Roadshows

The safety roadshows being held around the network are now well underway. Very good attendance has been achieved in most cases with good participation during the workshop discussions. The intention of the programme is to establish with the workforce if there are barriers which are halting our previously good progress in the reduction of incidents. Early feedback is that in many cases the workforce feel that Health and Safety is “done to them” and they are not involved sufficiently. This is a very important issue that will lead to a further programme of working with front line supervisors.

1.3 Health and Safety Management Supplement

The Health and Safety Management supplement is attached at Appendix 1.

2. STAKEHOLDER RELATIONS

2.1 Defra

The new Minister has been very willing to engage with BW during his first few weeks in office. The Chairman and I met him on the third day after his appointment, he recorded a video message for our Annual Meeting, he attended a dinner for Labour Members of Parliament in the House of Commons and he spoke at a reception to mark the 40th Anniversary of the Transport Act. He is also due to visit the Bow Back Rivers with us at the end of the month.

On all occasions Huw Irranca-Davies has been well briefed, enthusiastic, complimentary and positive.

Defra have also 'captured' £2m of underspend from their Aggregate Levy Fund and channelled it to BW for the new lock on the River Lee. This is in addition to the circa £1m extra grant they have announced for next year.

2.2 Operational Efficiency Review

This is the review being undertaken by Gerry Grimstone that will advise Treasury whether BW should retain its commercial assets. We have been working direct with Treasury but it now appears the review will be managed through Shareholder Executive. The Chairman and I are to meet Gerry Grimstone on the 9 December.

2.3 Scottish Government

Feedback from the Scottish Government following the MSP Reception was very positive. All stakeholders/partners and BW invitees to the MSP reception received a follow up email newsletter of updates on BWS major projects. This is the first of quarterly email newsletters to regularly update BWS stakeholders and partners. BWS also advised on the positive reporting of major Scottish projects to the BW Annual Meeting on 8th October in Birmingham.

John Ewing, Director for Transport within the Scottish Government and chair of the Scottish Canals Development Group, is moving to become Director of Public Service Reform with effect from 1st December. Diane McLafferty, currently responsible for Transport Strategy, is replacing John Ewing on a temporary promotion pending a Scottish Government promotion board process.

Margaret Horn, one of our civil service team, was a welcome active participant in the BWS Annual Meeting and Lowlands Customer Forum in Falkirk on Saturday 25th October. This meeting trialled a new format to improve two way communications with our customers. It was jointly chaired by Jon Hargreaves and John Hume of TWTS and well attended by 80 Lowland canal customers. Following a short strategic overview by Jon Hargreaves and Steve Dunlop, Margaret Horn led a consultation session ahead of a refreshment of the policy document, Scotland's Canals: *an asset for the future*. The Scottish management team also gave an operational update. The new format was well received and led to very positive outcomes. The format will be repeated at the BWS Annual Meeting and Caledonian Canal Customer Forum on Saturday 22nd November at Fort Augustus.

2.4 Welsh Assembly

John Bridgeman has arranged a meeting with First Minister Rhodri Morgan on the 3 December. He will be joined by Julie Sharman to talk about waterway issues in Wales, but particularly the funding of further repairs of the Monmouthshire & Brecon Canal.

2.5 Stourbridge Open Weekend

The General Manager, West Midlands Waterway attended Stourbridge open weekend along with Lynda Waltho, Member of Parliament and Deputy Minister for the region. BW was publicly congratulated at the event's formal presentation for the way we had dealt with the Stourbridge breach and implemented a repair and Ms Waltho was very complimentary.

3. MARKETING & CUSTOMER SERVICE

3.1 Media & Communications

3.1.1 Media coverage

BW received excellent coverage over this period across a broad range of media and stories. Highlights included BW's partnership with the Carbon Trust to develop wind and water power on the network; BW and The Waterways Trust's work to recognise the efforts of the 'Idle Women; BW's partnership to tackle Japanese Knotweed; and BW's story to commemorate the 40th anniversary of the 1968 Transport Act. The most negative story related to the muck-spreader which smashed through a bridge into the Trent & Mersey Canal.

3.1.2 Public affairs

BW held a private dinner for 10 Labour MPs (including Huw Irranca-Davies) to discuss issues facing the waterways ahead of next year's public consultation. A subsequent dinner with opposition MPs is now being planned.

We held a reception on the terrace of the House of Commons to mark the 40th anniversary of the 1968 Transport Act. Waterway Minister, Huw Irranca-Davies, John Edmonds of IWAC and Tony Hales all made speeches and the event was attended by 25 MPs, a Baroness, several local politicians and waterway stakeholders.

Simon Salem hosted a visit for Louise Ellman MP to the Liverpool Link. She is now Chair of the Transport Select Committee (following the death of Gwyneth Dunwoody).

3.1.3 BW's Annual Meeting and debate about future strategy for waterways

Sixty years since the waterways were nationalised, BW's Annual Meeting took place this month in Birmingham and offered some fascinating points of discussion in an historic anniversary year. The meeting started with a video message from the new Waterways Minister, Huw Irranca-Davies MP, followed by presentations from the Chairman and myself. The morning concluded with a question & answer session.

The meeting was followed by an afternoon debate called *Waterways for the 21st Century*, focussing on future strategy for the waterways. Tony Hales chaired the session and was joined by panel members the Rt. Hon John Gummer, MP; John Edmonds, chair of IWAC; Richard Fairhurst, editor of *Waterways World* and Carole Souter, chief executive of the Heritage Lottery Fund.

The panellists presented their thoughts for the future strategy for the waterways before the debate was opened up with a number of questions taken from the floor. The afternoon session included debates on BW's funding gap, engaging volunteers and extending the appeal beyond the typical boating groups to include other waterway users. The debate also considered how the waterways should look to the future including the role they can play in regeneration and in tackling climate change.

3.2 Marketing campaigns

3.2.1 Canal holiday promotion

Working with the hire boat trade, we launched a new campaign to promote canal holidays. The slogan *'It's a holiday like no other'* was chosen to tap into the consumer trend of wanting a *'different'* and *'unusual'* type of holiday. The campaign look and feel matched that of the 'Yours to Enjoy' campaign.

Visit us at
waterscape.com/canalholidays

holidays to enjoy anytime

It's a holiday
like no other



As part of the campaign a brand new area of waterscape has been designed and built , www.waterscape.com/canalholidays, and has generated over 2,000 hits in its first month.

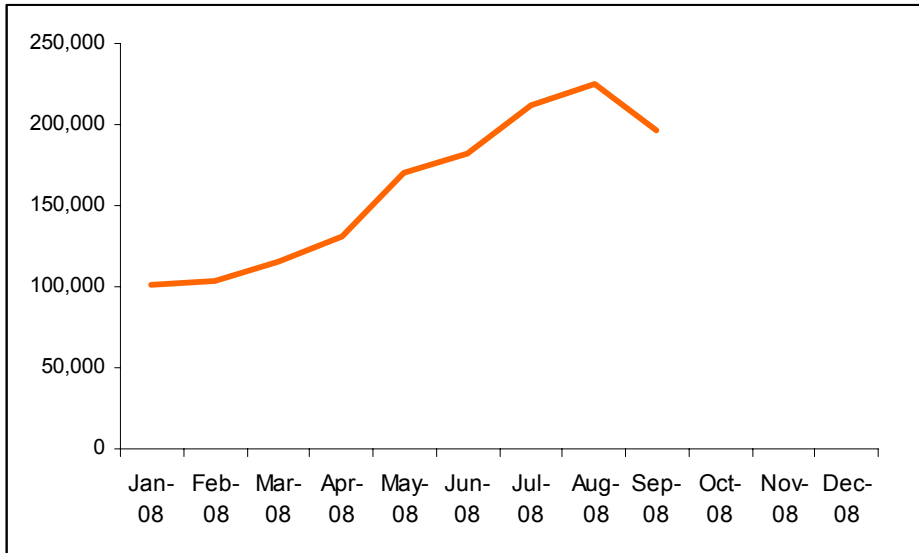


Building on the success of the *Yours to Enjoy* campaign, which is bringing more people to our key destinations, we will work with the trade to run a series of promotional canal holiday days, based at our destinations sites in 2009. With this in mind, a pilot promotional weekend took place at the beginning of October. Four hire boats, including a hotel boat, graced the centre of Birmingham and over two days hundreds of people came on board, took a brochure and discount voucher and had a boat trip. Feedback from both the public and the hire boat operators was positive.



3.2.2 Waterscape.com

Visits to waterscape continue to increase. 1.6 million visits have been made to the site year to date, compared with 1.4 million for the same period last year.



Top 10 pages year to date

- Homepage
- Canals and rivers homepage
- Fishing
- Things to do homepage
- In your area homepage
- Licensing
- Cycling
- Map
- Boating
- Grand Union Canal.

3.3 Internal Communications

3.3.1 Autumn Senior Management Forum

The Autumn Senior Management Forum was attended by the chairman and executive directors and c. 90 senior managers. Key themes were how the outside world impacts on BW, the strategic review, the public benefit the waterways deliver and the 'business as usual' projects going on across the company.

Sarah Nason, from Defra, attended the forum and also gave a presentation about how the department works, the BW/Defra relationship, the strategic steer and updating *Waterways for Tomorrow*. The other guest speaker was Andy Jarosz from Docleaf, crisis management experts.

3.3.2 Internal messages

Key messages for our staff recently have included:

- Strategic review (sharing initial thinking around three key messages: earning the money we need, being cost efficient and engaging with the outside world). This included asking staff to get involved by sharing their feedback. A dedicated e-mail address and text messaging service has been set-up for this
- The introduction of SMART pensions
- Celebrating the internal waterways excellence awards
- Company car and business travel consultation
- Marking the 40th anniversary of the 1968 Transport Act.

3.3.3 Planning for the Strategic Review

High on the agenda for the internal communications team is planning communications on the strategic review in alignment with the plans for external consultation that commences in January. A drip feed of information has started so our people understand why we are reviewing our strategy and what we want to achieve.

3.4 Other issues

3.4.1 The Waterways Trust

The funding agreement with The Waterways Trust requires two years advance notification of termination. It is intended to terminate it and to consider future arrangements with the Trust in the light of BW's new strategic priorities.

4. STRATEGIC PEOPLE ISSUES

4.1 Performance & capability profiles & salary structure

1,600 employees have been written to informing them of their job profile and its place in our revised, simplified salary structure below senior management level. Employees have the right of appeal to a National Appeals Panel.

4.2 SMART pensions

Implementation of tax-efficient pension contributions is underway and planned for delivery from January 2009. This will reduce BW's National Insurance Contributions by c. £200k p.a. and employees' total contributions by an estimated £150k p.a.

4.3 Business travel/company cars

Proposals for major change have been tabled that would move away from company cars as the sole or main means of facilitating business travel and reduce our costs of provision by up to £500k pa.. Consultation with employees and formal discussions with the trades union have begun.

4.4 Leadership Development

Workshops delivered by CHPD for senior managers have continued and are receiving very positive feedback. Small groups of senior managers have been developing their leadership capabilities by working on real issues involving the presentation of solutions to the executive team. In 2009/10 the leadership development programme will concentrate on embedding the CHPD techniques to ensure that maximum return from the investment in the programme is achieved.

4.5 Employee Induction

A significantly improved induction process is being launched this month involving consistent actions by line managers and HR including clear standards, 100 day induction planner and formal progress reviews.

5. LEISURE

5.1 BW directly managed moorings

Local teams are completing their assessments of BW mooring prices to apply from April 2005, using the new guidelines endorsed by the Board at its September meeting. There will be a moderation process prior to publication of the prices in January.

5.2 Licensing enforcement

The National Boat Check is taking place now (Nov 10 – 24). A new auditing process using senior management teams is in place to add confidence to the results.

5.3 Boat Licence prices from 1 April 2009

A full decision paper is included as Appendix 2.

6. CORPORATE SOCIAL RESPONSIBILITY

6.1 Volunteer Work

- Kennet & Avon Canal Trust – a volunteer team have been working at Wootton Rivers. Work includes lock gearing, painting lock beams, clearing signs, polishing brass signs, restraining benches, painting water points. The Trust has also taken on a lease for the Avon Vale workboat with the intention of refurbishing it and then using it for maintenance work on the canal.
- 180 volunteers from Royal Bank of Scotland cleaned up 2km of the Ashton Canal in Droylsden on 10th September. A presentation of the event is available on request.
- There was a good turn out of around 20 volunteers from Good Year Tyres Ltd for the Grantscape project on the Staffordshire & Worcestershire Canal to clear up a section of towpath. We are looking to organise a similar work party from the Environment Agency around the end of the year.
- In London the past few months have been successful in terms of encouraging corporate and individual volunteering with the help of Thames 21. O₂ provided 56 volunteers to work on the Slough Arm whilst Bloomberg and Goldman Sachs involved 80 of their staff in work on the Hertford Union canal over 3 days. In addition 36 Canal Keeper Volunteers worked the equivalent of 26 man days during October. As well as volunteering taking place on the canals, we also have a student volunteer providing support and assistance to the asset engineers.

7. LEGAL

7.1 Rivers Lee and Stort - Disputes with Thames Water and Environment Agency

A framework for Alternative Dispute Resolution has been agreed with Thames Water and I am pleased to say that we have been able to secure the services of Lord Woolf, retired Lord Chief Justice and former Master of the Rolls to act as the 'neutral person'. Thames have agreed to the appointment.

The high standing of Lord Woolf has dispelled concerns that Ofwat had about using an ADR process. Defra are delighted with the proposal. Current indications are that a (non-binding) decision by Lord Woolf will be reached by late February.

A smaller scale dispute with the Environment Agency over payments for maintenance on the Rivers Lee and Stort has been resolved also by ADR (David Elvin QC acting as expert) entirely in favour of BW. Back payments of some £700k will be recoverable. The EA had unilaterally ceased payment disputing their statutory

obligation to make them. Of interest is that the same external legal team working on the Thames Water matter worked on the EA matter. Although the statutory provisions in dispute are different, it is reassuring that our lawyers' advice on this occasion was upheld.

7.2 Approval of Authorised Signatories to the BW Seal

The Transport Act 1962, as amended by Section 52(4) of the Transport Act 1968 provides that the application of the Board's Seal shall be authenticated by the signature of the Secretary to the Board or some other person authorised to act for that purpose.

The current signatories are the Legal Director (as Board Secretary) together with (as authorised persons) Cornel Howells and three lawyers in the Legal Department (Jackie Lewis, Paul Fendrich and Greta O'Shea). Cornel is to retire on 31 March 2009. In order to ensure availability of signatories when documents require sealing, which is on a daily basis, I recommend that the three other members of the Legal team be additionally authorised to witness the BW Seal.

It is recommended that the Board RESOLVE that Anna Barton, Julie Smith and Tom Deards be authorised to authenticate the application of the Board's Seal and that the authorisation of Cornel Howells is revoked with effect from 31 March 2009.

8. PROPERTY

8.1 Leeds Clarence Dock

A PR and advertising campaign has begun to promote the residential and commercial moorings. These are being managed outside of the tender process which has not proved appropriate for a release of a large number of moorings onto the market at the same time. We are also in the process of letting out some of the leisure moorings as short-term winter moorings.

Crosby Homes held the official launch event for Clarence Dock on 11th October: a series of floating catwalk shows on the dock, featuring Gok Wan. The fashion shows went extremely well and were attended by thousands of people, with extensive press and broadcast coverage in the regional media.

8.2 Acquiva (London Docklands)

Planning consent was granted on 9th October by the London Borough of Tower Hamlets for the floating hotel ship. Legal formalities are now close to being finalised.

8.3 Crossrail Station

Preparations for the construction of the Crossrail station moved forward when BW was served with a notice by the Secretary of State for Transport for the closure of the West India Dock North Branch. Work on the station commences in January 2009 with Upper Bank Street bridge being removed from site at an early stage. The bridge connection will be reinstated across the dock within 12 months of its removal. The dock will be closed off for approximately 4 years after which a new navigation will be re-opened along the north face of the station, reinstating access to the west end of the dock. The works will be undertaken by Canary Wharf Contractors and we will liaise with them through the construction period.

9. RESTORATION/REGENERATION

9.1 Bedford & Milton Keynes middle section

Balfour Beatty is to construct a new dual carriageway between Bedford and J.13 of the M1 motorway. It needs material to construct this road. The Borough Council has voted to accept the "*construction of a length of canal across Berry Farm*" (which it owns) in return for providing the borrow pit which will provide this material.

The exact length to be dug is still to be negotiated, but could be up to 2.5km, which represents 10% of the waterway route. If the B&MK Trust "*fails to obtain all the necessary consents and approvals prior to 30 September 2009*" the Council would then receive in default a cash payment instead.

9.2 The Helix

A formal review is underway led by the professional advisers procured for the HELIX project. They have been briefed by the project partners to reduce the overall scope of the project, through value engineering. The review is due to be completed by mid November ahead of a meeting between the HELIX partners and BIG Lottery at the end of November.

10. CORE WATERWAY

10.1 Ledgard Weir – Calder & Hebble Navigation

Following heavy rain on Sunday 5th October Ledgard Weir breached resulting in loss of water depth along the pound and cut. The weir had breached two years previously and a temporary repair made, however a more significant part of the weir washed away this time. Large stone blocks had to be sourced at short notice, and in total 1000 tons of stone used to fill the breach. Water levels were raised sufficiently that boats could move again by the following Saturday. The total cost of the repair was £30,000 and was completed in record time by our rapid response team.

10.2 Fire & Rescue Service Exercise

Plans are well in hand for assisting all five local Fire and Rescue Services with the "East Midlands Regional Water Exercise" taking place at Holme Pierre Point on 12 November. This is the first time the F&RS's from Nottinghamshire, Derbyshire, Lincolnshire, Leicestershire and Northamptonshire will be working together to try out their water equipment (including Submersibles, Bobcats, Quad Bikes) and possibly the Air Sea Rescue helicopter.

There will be up to a dozen different exercises throughout the day involving approximately 50 firemen but they have specifically asked us to be on hand to assist them if necessary as they try to rescue passengers stuck on low-lying passenger boats. They will also be rescuing people trapped in/on submerged vehicles, carrying out rescues from white water and carrying out a search at night.

10.3 Pollution Incidents – North West Waterways

During October there was a pollution incident on the Lancaster Canal near Garstang. The Environment Agency believes the incident was caused by heavy rainfall washing off water-logged land that had been over-charged with slurry.

This is the third major pollution incident in the North West in the last 3 months – the first being on the Rochdale Canal (the EA believes illegal herbicide was introduced to the Canal by a third party – 15,000 fish were killed) and the Peak Forest Canal (effluent from United Utilities drain which overflowed – major fish kill averted).

REMS.

ROBIN EVANS

Trent & Mersey Canal – Bridge 20 near Stensons Lock





HEALTH & SAFETY MANAGEMENT SUPPLEMENT – NOVEMBER 2008

1. ASSETS

1.1 Asset Condition

- 1.1.1 Our plan is to “hold” our principal assets at a steady condition level for the period of the CSR while the Status Review takes place and a longer term strategy can be agreed with Government. This does add risk to the business and is not sustainable in the long term, but is a pragmatic approach to our current funding position. The percentage of D&E assets in holding state is 22%. As at early October 2008, this figure has actually improved to 20.6%.
- 1.1.2 We have confirmed to the Board, that we have no assets in Condition E with a consequence of failure of 5.
- 1.1.3 The bridge incident on the Trent and Mersey Canal referred to in the body of the Chief Executive’s report was caused by misuse of the bridge. The load using the bridge was both too heavy and too wide to safely use the bridge. No one had contacted BW in advance to check suitability.

2. VISITOR SAFETY

- 2.1 The focus on Minimum Safety Standards (MSS) has been a major initiative impacting public and customer safety. Ensuring delivery of MSS is an important action aimed at driving down the number of infrastructure related customer incidents. Our target is a reduction from 15% in 2007 to 10% by 2010. Analysis of incident data for the first half of the year indicates the percentage of visitor incident related to BW’s infrastructure running at 11.8%.
- 2.2 There has been 1 reportable injury to Members of the Public since the last report.
- 2.2.1 **29 September 2008 - Wigan Flight.** A female boater was operating a windlass to close the tail lock gates. She apparently let go of the windlass handle which spun round and struck her on the head.
- 2.2.2 **Autumn 2008** - We investigated an incident where a customer has advised us that while she was operating a lock, she fell into the water and was drawn through a ground paddle culvert suffering a broken leg and severe bruising. The incident was replicated with a dummy and it proved very easy to be drawn through the culvert. The test was repeated with a lifejacket on the dummy and the lifejacket was effective at preventing the dummy being drawn into the culvert. The incident will be restaged and an awareness video developed for employees and boating customers.

3. CONTRACTORS

- 3.1 There has been 1 contractor reportable injury since the last report.
- 3.1.1 A sub contractor working for Morrisons on the Monmouthshire and Brecon repairs fell from his excavator when carrying out pre-start checks and maintenance. He suffered several broken ribs.

4. VOLUNTEERS

- 4.1 A Direction covering the Health and Safety Management of volunteer organisations was introduced during 2007. 8 Volunteer organisations have been assessed as competent to undertake the day to day supervision of their own activities for specified low risk tasks. Other volunteer activities are directly supervised by BW. There have been no Reported Injury Incidents involving volunteers.

5. EMPLOYEE OCCUPATIONAL HEALTH AND SAFETY

5.1 Lost Time Injuries

- 5.1.1 September had 4, 1-3 day lost time injuries. October had 2 Riddor reportable over 3 day injuries and 1 1-3 day lost time injury. The number of non reportable LTI's is lower than the reportable more serious injuries which is the opposite of the expected trend.

- 5.1.2 Clearly, we must ensure safety behaviour is reinforced. Even before these poor statistics, we set up a group comprised mainly of workforce representatives to identify and address any issues which risk stalling H&S improvement. Workforce engagement is key in ensuring we continue to improve and we will be focusing on safe behaviour. A series of workforce engagement roadshows is now running involving the Trades Unions and Central Safety Team. Initial feedback from employees is that they feel they should be more involved in their H&S. Annex B provides more detail.

5.2 Safety Training Passport

- 5.2.1 A process to export SAP training data to a "safety passport" is in place. The training passport has been introduced for every employee from October to coincide with the Development Review. The development review is the stage in the HR calendar which plans future training of employees.

5.3 Construction Industry Safety Benchmark

- 5.3.1 Several years ago, we set ourselves the target of reaching the top quartile of companies according to the Construction Industry Safety Benchmark. We achieved our goal last year and had remained in the top quartile until the June statistics were included. Due to the 3 incidents in the July and August period, we have now dropped to 61%.

5.4 Progress against Targets 2008/9

- 25% reduction in lost time injuries to B.W. employees (start point 25 for 12 months to March 2008) - **13 % increase**
- 25% reduction in Manual Handling injuries (start point 37 for 12 months to March 2008) - *progress 29 for 12 months to August 2008 - 13% reduction*
- 25% reduction in Slip/Trip/Fall injuries (start point 44 for 12 months to March 2008) - *progress 53 for 12 months to October 2008 – 20% Increase*
- 400 worksite safety inspections by SMT members - *progress to the end of October 2008, 411 inspections & 230 behavioural safety discussions recorded.*
- Achieve 75% of visitor risk assessment plan – **60.0% reported complete (subject to audit)**

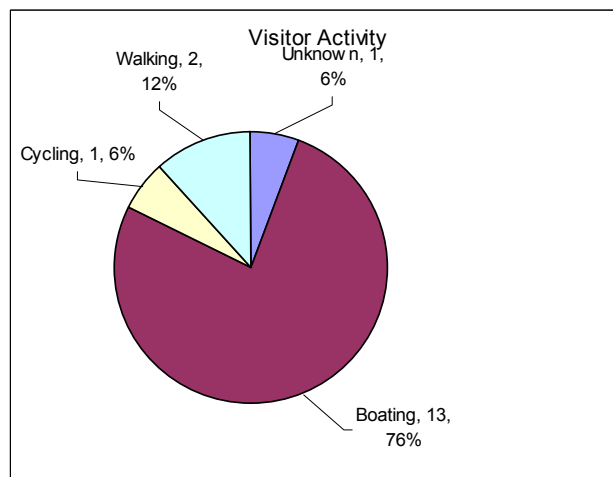
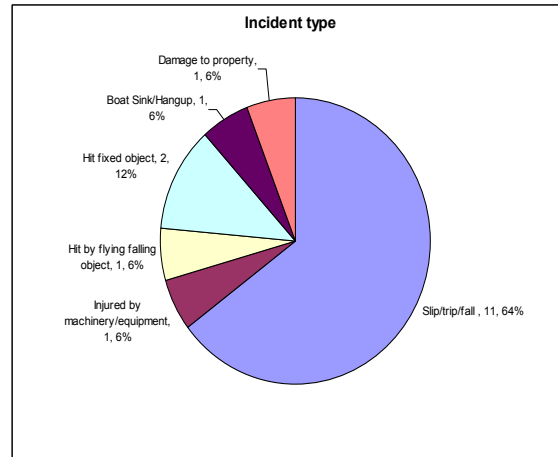
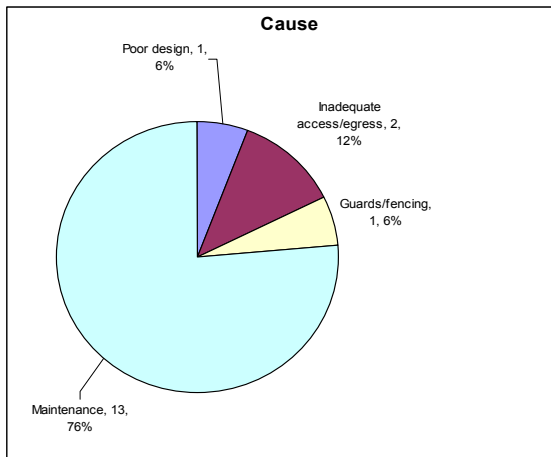
6. OCCUPATIONAL HEALTH

- 6.1 There have been no further cases of Hand Arm Vibration Syndrome since the last Board H&S report. There have now been a total of 10 cases which have been reported to HSE under RIDDOR as industrial diseases. A review of the trend of increasing diagnosis of HAVS has been discussed with our occupational health providers. It is believed that the increasing diagnosis of symptoms has been due to earlier referrals by nurse practitioners to doctors when symptoms are described by employees. This has been in response to the revision to legislation in 2005.

VISITOR SAFETY STATISTICS

REPORTABLE INJURIES TO VISITORS

There has been 1 reportable injury to members of the public since the last Board report. The following charts show the outcome of the analysis of the first 6 months of 2008/9. 144 incidents occurred where loss or injury was reported by a customer. The percentage we identified following investigation which had an infrastructure related cause (i.e. a defect requiring remedial action) has dropped to 11.8%.



EMPLOYEE SAFETY STATISTICS

LOST TIME INCIDENTS

7/6/2008 1-3 day LTI - Fort Augustus, Caledonian Canal - Member of staff injured his back moving a picnic table during grass cutting operations. This was a two man operation that had been carried out every two weeks during the summer grass cutting period. Operator took three steps sideways and as he put the table down felt a twinge in his back.

30/7/08 1-3 day LTI - Forth & Clyde Canal - Whilst retrieving trolleys from the canal at Clydebank and loading them onto a truck, the operator felt his back twinge.

15/8/2008 1-3 day LTI - Falkirk Wheel – The skipper of the MV Campbell Christie had brought the vessel alongside and ready to moor up. As the skipper stepped off the vessel, her right foot caught the underside of a cleat and she fell landing on her left knee.

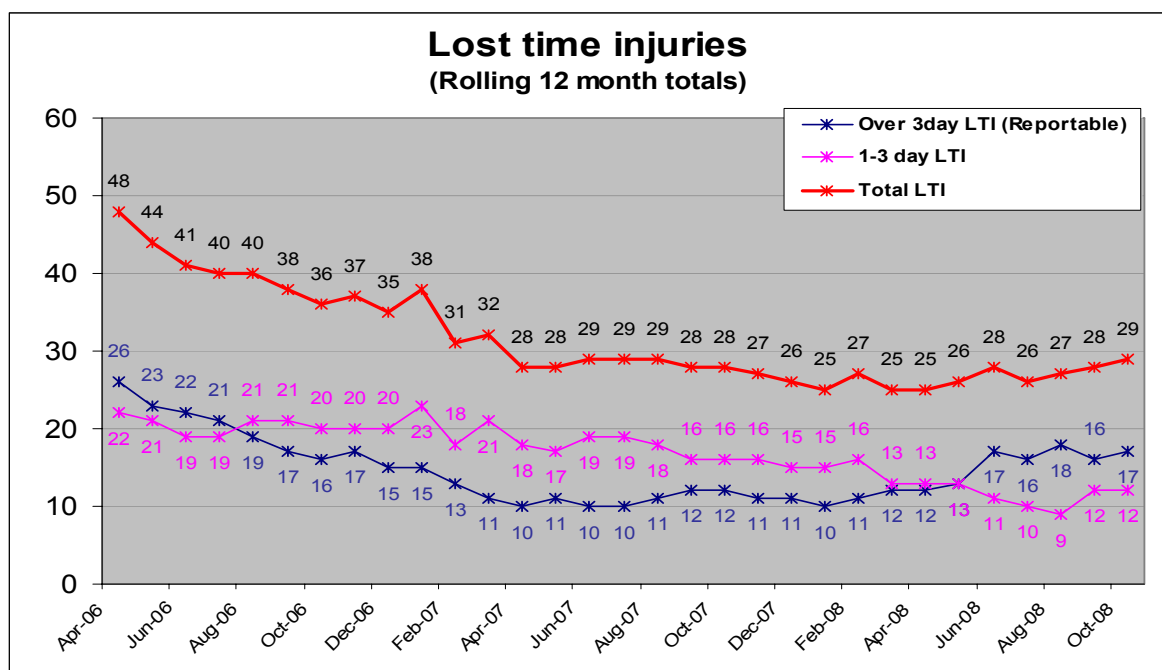
15/8/08 1-3 day LTI - Moorhen Marina, River Stort - After repairing the pump out next to Moorhen marina, lifted up a stainless steel sheet cover into position and held it there whilst a colleague fitted the securing bolts. Whilst holding the panel, the employee felt a pain in his back.

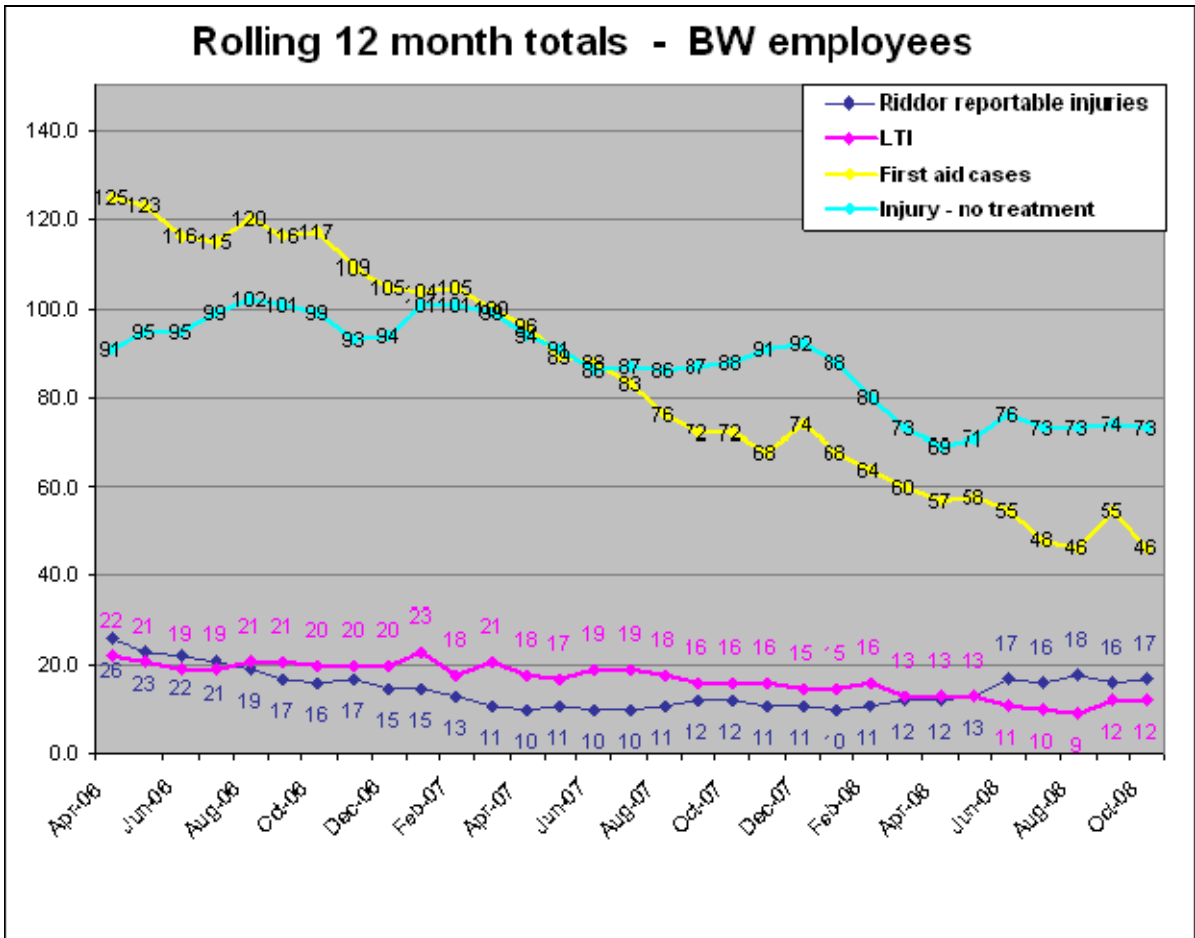
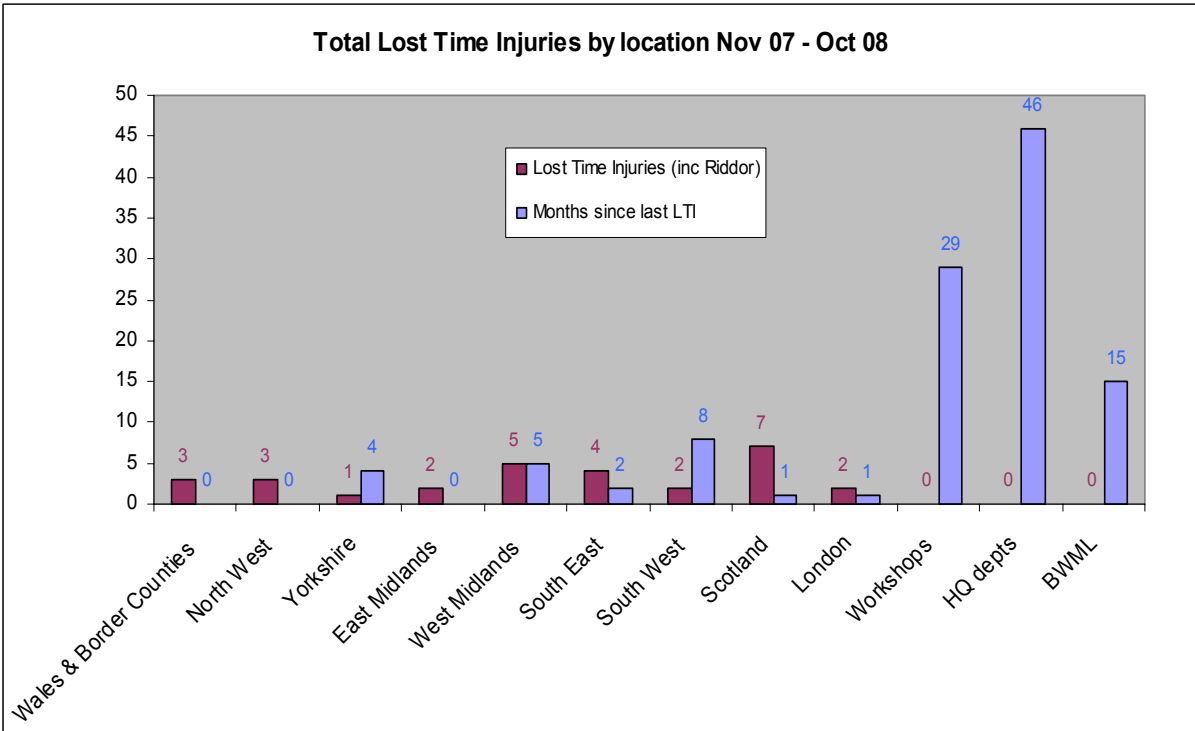
9/10/2008 Over 3 day Reportable LTI - Crane Boat, East Midlands – An operative was dragging a set of lifting chains from a craneboat for inspection when he injured his back

17/10/2008 Over 3 day Reportable LTI - Culvert chamber next to Top Lock Rufford Branch, Leeds and Liverpool Canal. Whilst clearing the culvert an operative was struck in the leg by a piece of timber with a nail protruding. The wound became infected despite initial A&E treatment.

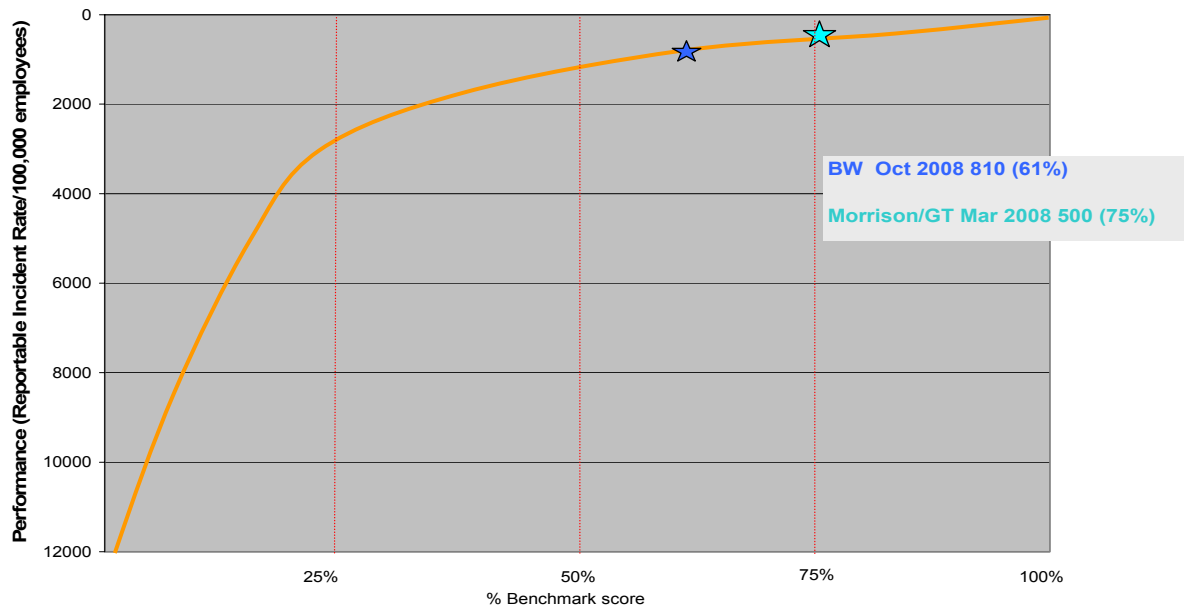
30/10/2008 1-3 day LTI – Llangollen and Montgomery Canals – In preparation for transporting a weed boat, a BW operative was lowering the cutter bar into position. He attempted to adjust the bar to fit into the cradle by using the hydraulic rams. In doing so, the bar trapped his index figure on his right handle against the upstand of the cradle bursting the end of his finger.

Performance Statistics





Construction Industry Safety Benchmark Data



We are investigating what underlying factors there are through the series of workforce roadshows which are being run currently.

WORKFORCE ROADSHOWS

These are now well underway and have the following agenda:

How does the workforce view H&S within BW?

Feedback on H&S Performance – general discussion on incident types, slip, trip, fall and manual handling for example. Discuss the role of behaviour in addressing some of the difficult issues when getting to grips with these incidents.

Point of Work – not the paperwork, but the actions. Discussion about what POWRA is trying to achieve i.e. stop and think before commencing work. Do I have the equipment, skills, knowledge and support (sufficient people) to do the job safely?

Avoidable Accidents – round table discussion about avoidability of accidents. Choose short case studies from another BU to avoid any embarrassment. Admittedly, with hindsight, could action have been taken to prevent the incident or reduce the harm?

Safe Behaviour – key role of how we behave in preventing accidents. Encouragement to Workplace Facilitators to re-engage with a process of behavioural safety if they are no longer active. Discussion about what prevents this happening.

Safety Committee, Safety Representative and Incident Investigation – What could make them more relevant to the workforce? What stops people getting involved. Key role of Safety Representatives. Involvement in accident incident investigation. Worksite / workplace inspection.

Welfare Issues – Are we hitting the standards? Is the workforce too accepting of poor standards?

Incidents and Near Miss – do employees get/want feedback? Is incident investigation and near miss analysis fed back to inform what action is being taken and to encourage reporting.

What messages should we take back to managers within the BU and BW?

Challenge – What is the workforce going to do to look after each other's H&S?

Feedback

Initial feedback from discussions in 5 of the business units identified issues with engagement of the workforce on H&S issues – not many feel sufficiently involved with developing method statements and control measures for the work they undertake. Behavioural safety is seen by the majority as beneficial, we will be working ensure the workforce and managers fully engage in the process.

We will be looking at ways of ensuring bureaucracy is reduced and the workforce only get the information they need to work safely.

BOAT LICENCE FEES FROM APRIL 2009

Report by Marketing & Customer Service Director

1. PURPOSE

- 1.1. To update the Board on proposals for changing the pricing system for boat licences in the light of the following:
 - (a) Recent consultation on the September report by BWAF and our response to it
 - (b) Current economic climate
 - (c) Other factors affecting boat licensing.
- 1.2. To seek endorsement for price increases from April 2009.

2. RECOMMENDATIONS

- 2.1. Boat licences should increase from April 2009 as follows:
 - (a) by 8.5% for private boats
 - (b) by 7.5% for hire boats
 - (c) by 8.2% for Gold licences (joint BW/EA licence – weighted average of respective standard increases – EA general price increase will be 7.8%).
- 2.2. No further effort should be expended in major reviews of pricing for boat licences, but we should make use as necessary of the principles for price differentiation set out by the Legal Director within BW's response to the BWAF September 2008 report.
- 2.3. We reserve the option to introduce a higher licence fee for boats without a home mooring if alternative strategies for managing the problems of 'continuous mooring' prove unworkable.

3. BACKGROUND / CONTEXT

- 3.1. In October 2007 we announced our intention to apply a significant increase to the level of boat licence fees as a means of generating some of the additional funds needed to overcome the gap between steady state and current projected income. We anticipated the need for fees to increase by 9% pa in real terms over the following three years. Following our openness and accountability policy, we put our proposals to public consultation, a process which included a series of face to face public meetings with the Chief Executive.
- 3.2. The response was inevitably hostile, with many boaters emphasising BW's poor track record in enforcement and concerns about inequities within the pricing structure. At this time our new strengthened enforcement procedures were only just starting and had not had time to show results. Our response was to:
 - (a) Reduce the increase from April 2008 to 8.3%
 - (b) Ask BWAF to review the detailed responses to the public consultation and advise us on how we might make the licence system fairer.
- 3.3. BWAF concluded its work in September. It recommended a series of changes, most immediately important of which were:
 - (a) A supplementary charge for boats with broad beam

(b) A supplementary charge for boats without a home mooring.

BWAF's paper was the result of in depth consideration of equity issues and the increasing numbers of 'continuous moorers' – boaters who choose not to take a home mooring using the provisions of the BW Act 1995.

Individual members of BWAF included representatives of all of the national boating consumer organisations and the Association of Pleasure Craft Operators. As individuals, all signed up to the report, but warned at the conclusion of the process that they felt it unlikely that their constituent bodies would support the recommendations.

- 3.4. BW published the BWAF report along with its response in early September. We indicated support for the BWAF recommendations but said that we would be reluctant to introduce the major changes proposed without reasonable support from user groups. We therefore set out the implications for 2009 licence fees for different groups of boaters depending on whether either or both of the key proposals were adopted.
- 3.5. The choices for boaters ranged from an across the board increase of 11.2% if neither change were adopted to an increase of just 6.6% for narrow boats with home moorings (approx 71% of boaters) with increases commensurately larger than 11.2% for wide beam and continuously cruising boats.
- 3.6. Our response included an explanation by the Legal Director of the legal and economic principles underlying our rationale for price differentiation in boat licence fees.
- 3.7. We invited further reflection from user groups by 7 November and said we would discuss further with BWAF at its meeting on 14th November. The timing of the November board is such that this paper is prepared without the benefit of that discussion. An update will be tabled if our views change in the light of the further debate.

4. RESULTS OF RECENT CONSULTATION

- 4.1 Ninety responses to the consultation were recorded. Only three supported the higher fee for wide beamed boats and five felt that the extra charge for continuous cruisers should go ahead. No user group supported either change.
- 4.2 There was scant acknowledgement of the enforcement challenge relating to "continuous moorers", or alternative proposals for tackling this.
- 4.3 There remains a perception that our charging system is unfair, yet no one can suggest an alternative.
- 4.4 Boaters are of course deeply concerned about the impact of recession in the economy and all urged BW to limit any price increase to inflation.

5. OTHER RELEVANT CONSIDERATIONS

- 5.1. During 2009/10, we aim to make progress in improving the efficiency of boat licence processing by increased use of web technology - potentially to replace the need for Logica support in making marginal changes to pricing structures. This will allow future changes to the licence system to be made more quickly and cheaply.

6. REVIEW OF BW BUSINESS PLAN ASSUMPTIONS

- 6.1. Since setting the 9% real growth target in 2007, we have seen higher than expected increase in the number of boats licensed – growth was continuing as recently as 2007/08, and our enforcement efforts are beginning to show through in higher income.
- 6.2. The state of the economy must be a cause of concern. Boating for most of our customers is a discretionary expenditure, and reduced demand over the coming years is to be expected. Our experience of the 1991/92 recession suggests that the effect on boat numbers is felt 9-12 months after the onset of serious economic downturn ie we would expect to see an effect in mid 2009 onwards.

7. CONCLUSIONS

- 7.1. While there may be theoretically superior models to our underlying price by length approach, boaters would resist any change that involved large numbers of winners or losers. A system based on greater use of technology for monitoring usage sounds attractive, but calibrating it to ensure no loss of income would be difficult. In short, we do not believe there is sufficient benefit to warrant any further fundamental review of pricing principles. Those set out by the Legal Director are sufficient to permit additional differentiation should we feel this appropriate.
- 7.2. Such is the strength of opposition to the proposed increased charge for wide beam boats and those without a home mooring, that we do not think it sensible to introduce either of these from April 2009. Instead, we recommend an across the board increase of 8.5%. If boat numbers hold level during 2009/10, we predict that this will be sufficient to meet the target contribution in the current business plan. The fee for hire boats should increase by 7.5% in line with the undertaking by the Chief Executive during the summer. The fee for hire boats is currently approximately 2.4 times that of the private licence. Hire boat numbers are declining steadily and we are persuaded of the case for mitigating their increase.
- 7.3. We will test the concept of a 'roving mooring permit' to increase revenue from people who do not want a home mooring, but wish to remain in a single neighbourhood.



Simon Salem

12 November 2008