

CHIEF EXECUTIVE'S REPORT

1. **STAKEHOLDER RELATIONS**

1.1 **Relationships with MPs**

As part of building long term national relationships, invitations to one to one briefings with Simon Salem are currently being progressed for seven MPs.

The date of our next cross-party dinner, hosted by Sir Peter Soulsby, is fixed for 29 November.

We have arranged for BW attendance at the gala dinners at both Labour and Conservative part conferences this autumn. We are also organising a fringe event in partnership with the think tank *The Social Market Foundation* which will feature at both conferences.

1.2 **Media Relations**

The second successive dry winter, contributing to a period of 18 months of below-average-rainfall across much of the UK has led to an increase in the number of enquiries received about using the network as a national water grid. Radio 4's 'The World at One', Channel Four News and The Daily Mail have all made enquiries, with only the latter newspaper subsequently featuring mentions of using the network in this way.

A full page feature in The Guardian promoted BW's regeneration agenda in early May.

Articles in The Independent, The Observer and The Daily Telegraph (all Travel sections) promoted the enjoyment of hiring a narrowboat for holidays, while The Guardian Travel section also featured The Falkirk Wheel as one its 'must see' engineering feats of recent times.

Our continuing programme of licence fee evasion enforcement has been widely covered in the key waterways press titles, and has been partly responsible for an additional 373 boats becoming licensed in the final quarter of 2005/06.

1.3 User Group Relations

During this period we have hosted a useful BWAFF agenda meeting, at which the subjects of BW's restoration strategy, BW's property portfolio and perceived barriers to volunteering were agreed as topics for the main meeting's agenda to be held on 17 May. I will give an update on the outcomes of the BWAFF meeting at the Board Meeting.

We also held two successful national user group meetings for Boating and Towpath issues to be aired.

1.4 Scottish Executive

Alistair Wilson, Head of Aviation, Ports & International, who has replaced Jamie Ross within the Scottish Executive, was taken on a familiarisation tour of the Lowland Canals. This was designed to demonstrate to Alistair the wide-ranging work of BWS to achieve its corporate vision and that of the Scottish Executive's policy document.

The key areas covered during the visit highlighted our involvement in urban regeneration, rural regeneration and rural tourism.

1.5 Scottish Enterprise

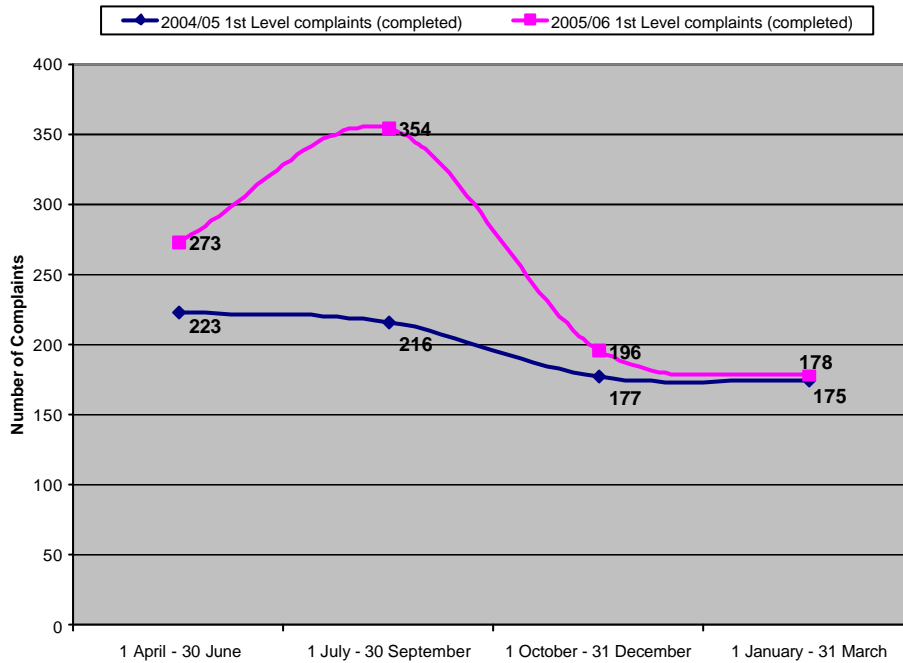
Scottish Enterprise are going through considerable change and are responding to very significant financial challenges. Across Scotland there is a fundamental review of which projects they will continue to support. This may have significant impacts, directly and indirectly, on BWS. More will be understood over the coming weeks, but meetings are arranged to look after BW interests.

2. MARKETING & CUSTOMER SERVICE

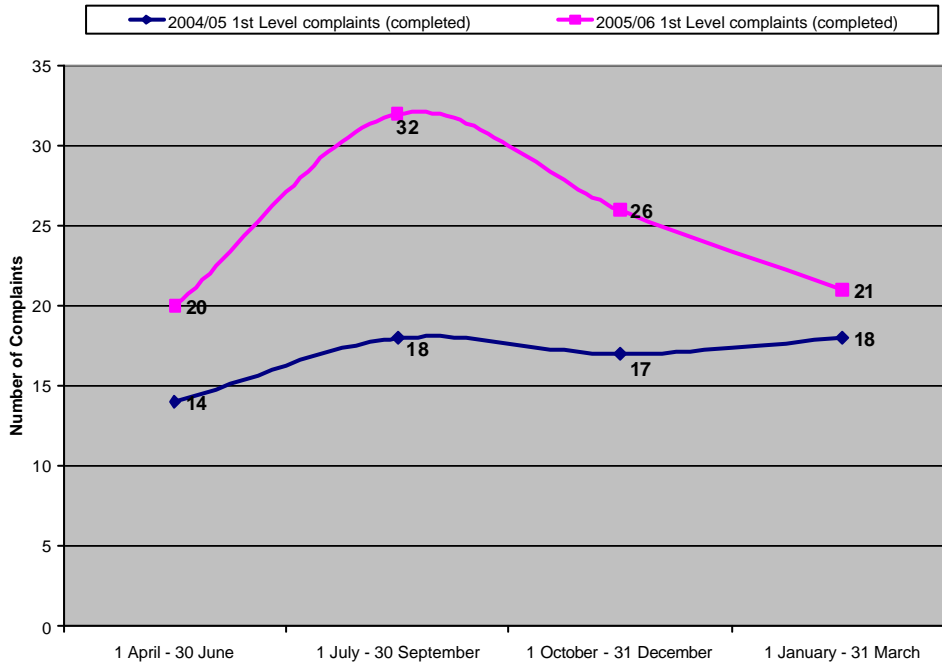
2.1 Complaints

Complaints Quarter 4 2005/06 – Volume at Levels 1 and 2

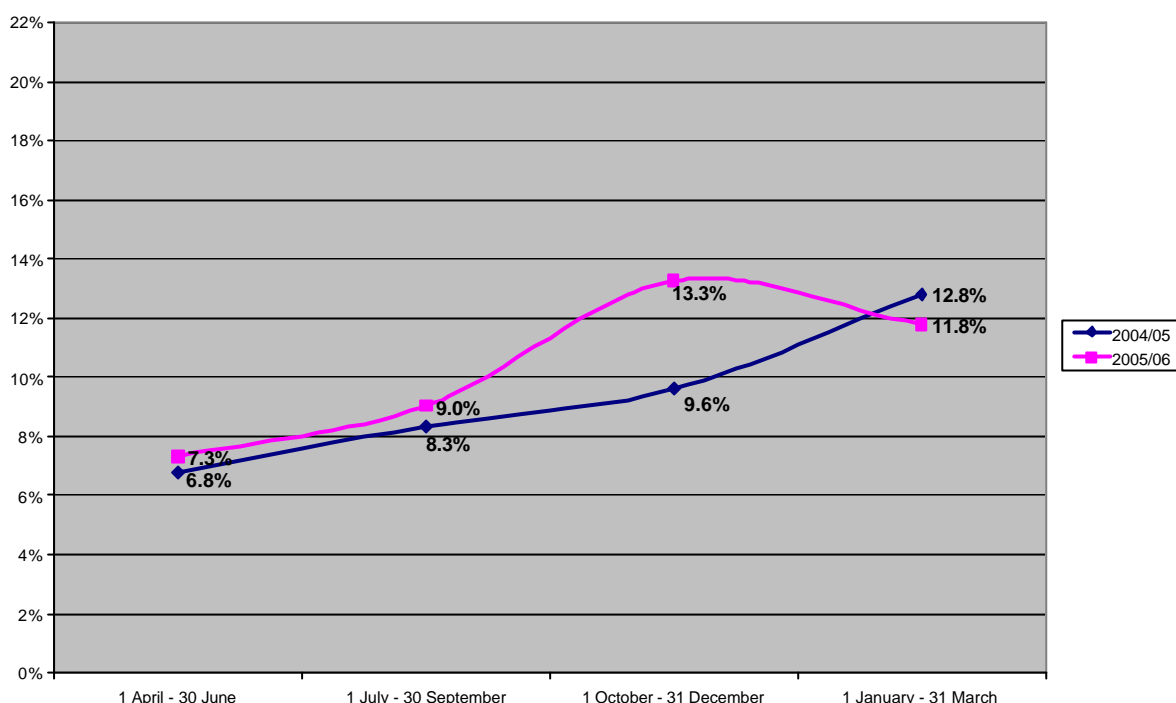
Number of 1st Level Complaints per Quarter



Number of 2nd Level Complaints per Quarter



Percentage of Complaints moved to Second Level



During 2005/06 the number of complaints rose 21% (1,001 cases), compared with 2004/05 (791). Because satisfaction levels are generally the same or slightly up we believe this is due to greater openness and better publicity about how to complain.

For 2nd Level complaints, volumes rose by 32% (99 cases), compared with 2004/05 (67).

2005/06 saw an improvement to the number of complaints completed within 20-working days with 95.2% compared to 90.4% during 2004/05.

We have decided to improve our response time standard to 15 working days. We will introduce this from 1 January 2007 giving all waterways time to work up to the standard. At the same time the standard for response to general enquiries currently (confusingly) set at 20 days (not working days) will also be set to 15 working days to give simplicity and consistency.

For complaints, our average response time in Q4 2005/06 was 12 working days.

22 Waterways Ombudsman

Ombudsman Cases 2005/06

2005/06	Q1	Q2	Q3	Q4	TOTAL
Number of cases accepted by Ombudsman	8	7	5	9	29
Number of cases completed	9	0	8	10	27
Number of completed cases with maladministration found. Includes (1) = partial finding of maladministration	6 (5)	0	6 (6)	5 (3)	17 (14)
Complaints accepted as % of BW level 2 complaints	40%	22%	19%	43%	29%

Figures supplied last time included two cases from 2004/05 in error. The above table has been restated and future data will be consistent with it.

2.3 Customer Service Transformation

Now out of its research stage, Customer Insight Programme, has been renamed Customer Service Transformation to drive home the parallels with the nature and scale of our safety programme. This has been well received and it is now more readily understood to be a significant and practical programme of change designed to realise BW's 2012 vision.

CST board is working well. Its work streams are focused on executing all that needs to be done between 2007 and 2009. This will be a period of considerable change and innovation throughout the business. It allows then, a further three years for the full benefits to work through to the target date of 2012.

A programme to embed Moments of Truth in each of eleven business units is well advanced and will be completed by Q2. In addition to its focus on culture change, the programme integrates with both customer service standards and the push to seven day working in all appropriate customer facing areas.

Henley Centre has been commissioned to build a more thorough model of the future volume and value of customer visits. This will take account of regeneration programmes, current BW strategies, demographics and economic/lifestyle projections. The project will be complete early Q2 and will inform BW's future marketing strategy.

Criteria for a network of destinations defined by footfall, are well advanced. A programme of training and empowerment in the critical area of customer communications is planned for Q3 & Q4.

2.4 Marketing Strategy

Passionate Enthusiast, Activity Seeker and Functional Customer segmentation has done much to clarify the business's view of its consumer base and volume. It has put in place the building blocks for future marketing strategy which is to be developed for consideration by the Board in September 2006.

Internal consistency and clarity of language around markets and customers will be essential to this strategy. A simple pocket size glossary including BW's vision statement will be useful tools for all of our people.

2.5 Research

2006's enhanced research programme is in hand. In future the inland waterway visit survey will build up a picture of non customers and by adjusting sample sizes / recall periods, begin to secure results that are accurate at business unit as well as national level.

Opportunities to generate income from BW's research programme are under investigation.

3. RISK ISSUES

3.1 Malkins Bank – Trent & Mersey Canal

There was a flood in the centre of Malkins Bank village on 18th April as a consequence of vandalism which caused a failure of a canal by-weir when it was overwhelmed and partially failed. The ground floors of 2 houses were flooded. There is still a risk of claims, however the owners are pursuing their claims through their house insurance policies. The weir will require substantial repairs (c £30k) and will divert some funding from the planned arrears.

3.2 Standedge Tunnel – Emergency Exercise

A mock evacuation took place in the Standedge Tunnel at the end of March. The event was managed by the Fire & Rescue Service and involved BW, the Mountain Rescue Brigade and the Fire Service. The scenario was a roof fall with 7 serious casualties from a total of 14 passengers. This tested the emergency procedures of all three services and the outcome was considered very satisfactory. Minor lessons will be shared.

3.3 Abuse & Vandalism

On the Forth & Clyde Canal a group of some 30 youths threw stones at four boats sailing west towards Lock 21. There were no injuries to those on board but the boats were damaged.

3.4 River Lune Aqueduct, Lancaster Canal

Subsequent to the closure of the navigation at the end of March 2006 to investigate the cause of leakage, clay dams have been installed and de-watering is taking place. This has taken longer than expected due to problems with leakage through existing ground and wash walls at the clay dam locations. These problems have now been resolved and a detailed inspection and assessment is taking place. Current available evidence indicates the presence of extensive voiding both within the fill material of the aqueduct structure and along the southern approach embankment. Remedial solutions are being considered. A date for crainage of stranded craft is being organised for the May Bank Holiday weekend.

3.5 Plank Lane Lift Bridge Counterweight Failure, L&L Canal

Investigations into the cause of the failure are continuing. A structural assessment of the upper lifting frame has been undertaken which indicates that the existing beams can be re-used. Design is in progress for the remedial works and it is expected that the bridge will be re-commissioned in July 2006. Weekend openings of the bridge to allow passage of boats are continuing in consultation with Wigan MBC, as they require temporary road closures.

4. STRATEGIC PEOPLE ISSUES

4.1 IWAAC Chair

The Chairman is a member of the selection panel that has shortlisted 5 candidates for interview on 2nd June.

4.2 BW Non-Executives

The selection panel, which includes the Chairman, meets on 1st June to draw up a long list. Final interviews are planned for 23 June.

4.3 Senior Manager Changes

Head of Procurement, Ken Butcher has opted for early retirement and the responsibility for procurement has transferred to Mick Crowder, currently Head of Shared Services. Mick has a strong procurement background and he will integrate the responsibilities with his existing role to provide a business service to our operational units.

Following the restructure of the HR function and the appointment of Andrew Johnson as Head of HR, two senior level roles in the Department are being removed. The post of Personnel Manager (South) occupied by Sally Charman is redundant and Ken Adams, Training and Development Manager is taking early retirement.

Debbie Lumb has been appointed General Manager, North West Waterways. Debbie has been acting General Manager for four months and successfully implemented the New Ways of Working pilot at our new Wigan office.

Kim Dale has accepted the vacant post of Service Manager, East Midlands. Kim has a customer service background from the brewing industry.

Estate Manager Appointments – Simon Currass has been appointed to the Yorkshire post and Alan Carter to the recently vacated (on early retirement) North West post.

4.4 Senior Management Forum

A one day's event to bring our top 100 managers together took place during April. The key themes of the day were strategy explanation, business performance review and the start of a significant efficiency drive.

4.5 Equal Pay Audit

During late 2005 early 2006 a joint audit undertaken with our recognised trade unions with input from the Equal Opportunities Commission and ACAS reviewed our pay system to identify any bias against female employees. The audit found no gender bias and no evidence of equal pay risk in the key areas examined. The audit clearly identified a significant area of gender job segregation on the canal bank but recognised that as BW develops in to a more customer focussed business it was highly likely that the segregation would reduce as more females were attracted to BW.

The Audit has provided a good platform to regularly review equal pay and wider diversity issues.

5. LEISURE

5.1 Craft Licensing – River Severn

We have implemented the planned new approach to craft licensing at manned locks on the River Severn – “No licence, No passage”. We made strenuous and successful efforts to communicate the message and received positive feedback from boaters and interest groups with no complaints. We have sold 8 licences in the past month through this route which has been devised on low cost principles – only one type of licence available, credit or debit card payment only. One marina owner advised that she had “never sold so many short term licences and even had a queue on Good Friday!” We will also see an increase in short term licence income. We anticipate that this will increase licence income by £30k.

5.2 Standedge

The café and short boat trip offer recommenced from Good Friday. The implementation of the new interpretation by Continuum has been slow, with contractual negotiations delaying progress. It is anticipated that the full, improved site offer will be in place in mid July, in time for the school summer holiday period. A Legging & Living History Day took place at Standedge on 7th May, when two boats (one a traditional boat crewed by the Horseboating Society and one a BW workboat crewed by a local charity) were legged through the entire length of the Tunnel for the first time in over 50 years. There were traditional craft demonstrations, performances by a local brass band and information stalls from local organisations such as the Huddersfield Canal Society. In spite of poor weather, they day was well attended and the event generated good local media coverage.

5.3 Licence Evasion

British Waterways' commitment to crack-down on evasion continued throughout the last three months of the financial year.

From January to March 2006:

- 764 enforcement letters were sent;

- 434 boats were licensed as a result of patrol letters;
- 34 boats were removed by BW under Section 8 powers;
- More than £168,000 of licence fee income was recovered.

5.4 British Marine Federation

I had lunch with the new Chief Executive, Rob Stevens, recently. He is a very different character to the previous Chief Executive and gives all the signs of really wanting to develop a new level of relationship. Simultaneously Simon Salem had lunch with Howard Pridding and Martin Perry (their lawyer) to build better working relationships.

Progress with confidence building measures post-mediation is good. The first meeting to draft the Code of Practice was held on 24 April. The feedback was good and remaining planned meetings should allow the Code to be completed on target at the end of June.

A survey of marine trade customer satisfaction is in hand this summer.

A complaint under the process noted in the mediation has now been received from a marina in the North of England. As agreed with BMF, it is being considered immediately as a Level 2 complaint.

6. RESTORATION/REGENERATION

6.1 Big Lottery Canal Restorations

BW's Cotswolds Phase 2 scheme has been successful in passing to the second stage of the Lottery Living Landmarks approval process. This will entail a visit by Lottery officials to the scheme on 30th/31st May. The Bedford & Milton Keynes (Western end) scheme was also successful and we attended a visit which the Lottery have already made to that scheme. The focus of their interest in the scheme was on risk management and strong volunteer involvement.

It is expected that 30 successful Stage 2 projects will be announced in August and will each qualify for £200K of development funding. Final awards will be announced in July/August 2007 (probably 4 in all).

7. PROPERTY

7.1 Jericho

The Board will recall we are selling this site for redevelopment and that we have a Court Order to evict the illegal occupants. We have agreed unconditional terms with a new purchaser.

The land for the local community centre, the piazza in front of the Church, the new footbridge and winding hole and facilities for boaters have all been secured. I will give an update at the meeting.

7.2 Headquarters move to Apsley

We have encountered some planning and estates issues with the site at Apsley. We have also at the same time begun to question the need for a separate headquarters building when we have offices at both Paddington and Milton Keynes. We are

currently carrying out a review to decide whether it is more effective and cost efficient to locate our headquarters in Milton Keynes with dedicated space in Paddington for Directors and certain central functions.

8. LEGAL

8.1 Judicial Review of ODPM – Denial of Transitional relief for business rates on English canal network

At the March Board meeting the Legal Director reported that the hearing of BW's claim for Judicial Review of the ODPM on the above topic had gone well.

On Thursday 18 May the Judge (Mr Justice Collins, President of the Administrative Court) handed down his judgment.

The Judge accordingly declared the relevant regulation to be unlawful and also declared the rates demand issued to BW to be unlawful. He quashed the demand and ordered all sums paid by BW under it (prior to suspension of payments) to be repaid (with interest at the judgment rate of 8%) - a total of some £470,000. He also awarded BW its costs of the action. The ODPM applied for but were refused leave to appeal to the Court of Appeal. The ODPM may still apply direct to the Court of Appeal for such leave though the prospects of it being granted are low.

The potential value of the transitional relief that BW can now benefit from is estimated at approximately £3m over 4 years.

9. CORE WATERWAY

9.1 Water Resources

Concerns about water resources in my previous report have lessened following moderate amounts of rainfall in recent weeks. This includes the Leeds & Liverpool and Chesterfield Canals. The Tring Summit reservoirs remain problematic, however, with a lack of pick-up in the boreholes. The situation continues to be closely monitored. Knypersley Reservoir is refilling after the late completion of engineering works and is currently 66% of maximum capacity.

9.2 Towpath Tidy

We have completed a review of Business Unit feedback on the Towpath Tidy 2006. In terms of performance measures the following was achieved nationally:

Kilometres of towpath cleared	313.8
Tonnes of rubbish removed	147
BW volunteer numbers	492
External volunteer numbers	679
Shopping trolleys removed	337

The only comparison we have with 2005 is an increase of 27 tonnes in rubbish removed (22.5%).

We have concluded that the event should continue and we intend to improve it further and make it an established part of the waterways calendar. The focus will be on: -

- getting the canal looking its best at the start of the season;

- targeting locations to most effect e.g. access and need, including liaising with local waterside businesses, particularly marinas on this;
- engaging the canal enthusiast and our own people;
- increasing the level of energy and output.

9.3 **BW Aware Barrier Tape**

The “BW Aware” barrier tape recently introduced in Central Shires Waterways to identify already noted dumped cars etc. has prompted enquiries from several other business units. The tape was publicised in the April edition of “BW Monthly”.

9.4 **Timber Procurement**

A national timber seminar was held in March to launch our Direction on timber procurement. A CD of seminar output, including tools for communicating the Direction has been issued to attendees. Support and information has been supplied to BRE, who are drafting BW’s submission required as part of our membership of WWF UK Forest & Trade Network.

9.5 **Project Trafalgar & Workboat Database**

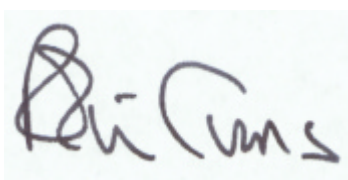
The construction of the Project Trafalgar narrow beam tugs and hoppers and accommodation modules is continuing. 12 tugs, five hoppers, and five modules are completed with many more under construction.

Deliveries commenced in April. To date, deliveries have taken place in three locations (Chesterfield Canal, Hatton and Macclesfield) and further deliveries are planned throughout BW over the next three months. Handover and familiarisation training for the new equipment is also being undertaken by the project team. Training in the maintenance and servicing of the tug engines and propulsion systems has commenced with 19 of our maintenance people trained over three days. Two further days’ training is planned for early May.

The disposal of 65 redundant workboats and 2 redundant cranes was concluded successfully with the sale expected to release over £200k after the deduction of fees.

9.6 **Olympic – Freight**

A meeting was held with representatives from DfT Freight Grant Unit to discuss the Legacy Project and the opportunities it provided to carry freight to and from the Olympic site by water. They were extremely interested and indicated that they may be able to support an FFG application based upon the sensitive lorry miles for around £4m.



ROBIN EVANS

May 2006.