

MEMORANDUM TO THE BOARD

CHIEF EXECUTIVE'S REPORT

1. THE HELIX PROJECT

The best news this month is that the HELIX project has been selected as one of only 3 projects to receive a £25m grant from the Big Lottery. This is an excellent result and the fruition of years of planning and partnership with key partners, particularly Falkirk Council. The BW Scotland element will focus on a new navigation channel alongside the River Carren to improve access into the Forth & Clyde Canal. Board Members will have already received a copy of the press announcement.

2. STAKEHOLDER RELATIONS

2.1 Defra

CSR Settlement

We are still no nearer knowing what our CSR settlement will be although I expect to have some indication towards the end of the month. We won't be given final figures until early 2008 and then only the first year will be certain, the other two years will be 'indicative'.

Quarterly Shareholder Meeting

John Bridgeman attended with Philip Ridal and me a Quarterly Shareholder Meeting with Defra and Shareholder Executive on 2 November. There was a full agenda but mostly covering current year performance and future funding.

Ministerial Visits

We have had several useful ministerial contacts over this period with a visit by Tony Hales to the new minister, Jonathan Shaw, at Defra. Tony Hales subsequently met the minister again at the opening of Loughborough Basin and hosted the secretary of state Hilary Benn at a bridge naming event in Leeds. Robin Evans hosted a visit and cruise in Birmingham for Jonathan Shaw.

Mark Bensted and I took the Minister and Robin Mortimer on a boat trip to Docklands on the 13 November.

2.2 Scotland

Strategic Spending Review

BWS has been working closely with our Scottish Government sponsoring department to ensure that the cross-cutting nature of BWS activities is well understood. Campbell and Steve met with John Swinney MSP, Cabinet Secretary for Finance & Sustainable Growth on 26th September to highlight linkages between BWS activities and the Scottish Government's strategic objectives. This was a key meeting ahead of

the Strategic Spending Review announcement by John Swinney MSP on 14th November 2007.

Expenditure is equally tight in Scotland but we expect to receive 'flat cash', i.e. the same grant as this year for the CSR period. Officials are keen to try and continue with additional 'ad hoc' payments during the year but acknowledge they may well be smaller in the future.

Discussions with the Scottish Government on BWS financial matters and to replace the current Framework Document and BWS Financial Memorandum are ongoing.

Steve Dunlop attended the Economy, Energy & Tourism Committee of the Scottish Government, chaired by Tavish Scott MSP, to raise awareness of BWS activities and their contribution to this agenda. The co-ordination of water activity in Scotland was raised in the context that a more managed approach may be appropriate.

Meetings with Minister

Stewart Stevenson, MSP, Minister for Transport, Infrastructure & Climate Change and John Ewing, Head of Transport Directorate, attended a dinner on 26th September in Edinburgh with Tony Hales, Campbell Christie, Duncan Sutherland, Steve Dunlop and me to discuss BWS business ahead of the Minister's address to the BWS Annual Meeting the following day.

BWS Annual Meeting 2007

The Minister gave a positive and supportive speech, announcing that the Millennium Link canal restoration had acted as a catalyst for regeneration across Scotland's central belt, helping to deliver £178million of investment in the past five years as detailed in the latest report from independent economic development consultants, Roger Tym & Partners.

BW Scotland Group

The recruitment exercise for Campbell Christie's successor, co-ordinated by the Scottish Government, is underway. Interviews are anticipated to be held in late November with the intention of a managed hand-over prior to Campbell's retirement on 31st March 2008.

Kenneth MacKenzie, Richard Milham and Eva McCracken, external members of the BWSG, have advised that they wish to step down from the BWSG. The recruitment exercise for replacement external members with influence throughout Scotland's regions will follow on the appointment of Campbell's successor early in the New Year.

2.3 IWAC Report – The Inland Waterways of England & Wales in 2007

IWAC published its latest report on 8 October. Attached is the press release issued and the draft response from Defra.

2.4 Kennet & Avon Canal Trust

There has been major change at the K&A Trust. The Chairman lost a vote of no confidence and 4 other trustees resigned in protest at this. We are working with a number of people, mainly from the K&A Trust, to draw up plans for the Bicentenary of the K&A in 2010.

2.5 British Waterways Advisory Forum

The forum met on 7 November with BW Board Members Campbell Christie & John Bridgeman attending. Nigel Stevens (British Marine Federation) was elected as the new BWAf chairman. The meeting considered BW's Six Challenges, government's response to the Efra Committee and a report from the BWAf heritage sub group.

Every effort is being made to encourage BWAf to focus on matters of strategic importance to BW and the waterways. Other mechanisms exist to facilitate discussion with customers on operational matters. Dates of 2008 meetings are Friday 16 May & Friday 14 November.

2.6 The Waterways Trust

BW has agreed to TWT's programme of refreshment and consolidation at Gloucester. It represents a good opportunity for TWT to put in place a more viable operation and for BW to review the terms of leases currently in place. Alternative locations for the archive and museum store will be sought within two years. Relations with TWT remain good. For 2008/09, business units will be planning locally for TWT involvement in fundraising & development activities.

2.7 Party Conferences

BW attended the gala dinners at both the Labour and Conservative Party conferences. The Labour conference provided a useful opportunity for the Chairman, Tony Hales, to meet and talk to environment minister Phil Woolas and cabinet minister, Hazel Blears. The BW table at the Conservative conference was well attended by shadow members including Peter Ainsworth, the shadow Defra Secretary of State.

2.8 Annual Meeting 2007

British Waterways' tenth Annual Meeting took place on 17 October at Austin Court in Birmingham. 93 stakeholders attended the meeting representing mainly boating. The Q&A session focused on: the cost of boating; mooring tenders; BW's income, spending and future status; maintenance; and development. Full speech and Q&A transcripts, plus a list of attendees can be found on our website at: www.britishwaterways.co.uk/annual_meeting. We are looking at the appropriateness of the annual meeting to our Stakeholder Strategy and will put forward proposals for change shortly.

3. MARKETING & CUSTOMER SERVICE

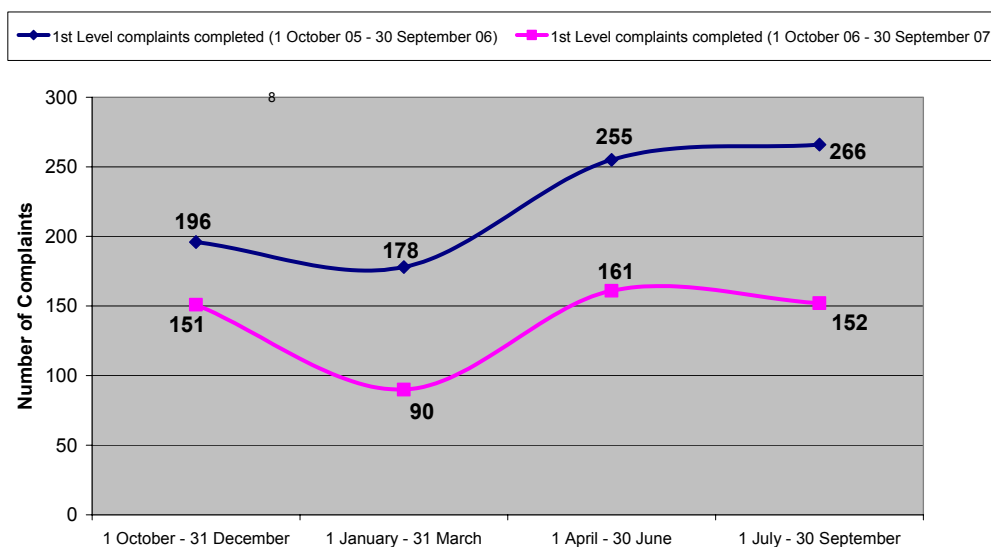
3.1 Customer service standards

Approved by directors for implementation from April 2008 this initial set of standards comprises three elements People, Safety and Performance. Each will be monitored and reported against from April 2008. The target achievement rate for the initial set is 100% by April 2009. The standards will be reviewed annually with constant improvement the driving factor.

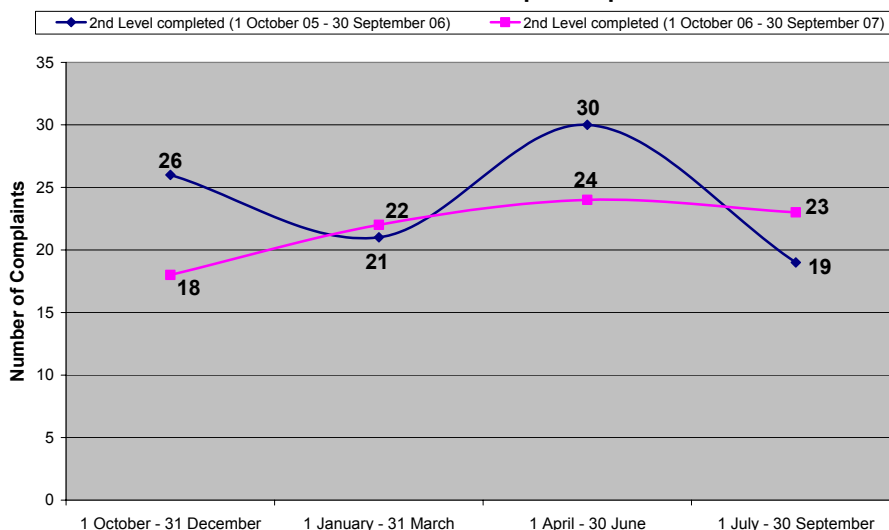
3.2 Customer satisfaction and complaints

Refinements in the way customer satisfaction measures are recorded and used are in preparation. Essentially, the plan is to make wider use of a *propensity to recommend* research score that is more relevant for all customer groups/business units than the basket of measures currently in place. Proposals will be brought to the board for approval early in 2008. Combined with measurement around the customer service standards, this will provide a powerful performance management tool. Arrangement will be made to ensure the board has a like for like view of performance year on year during transition.

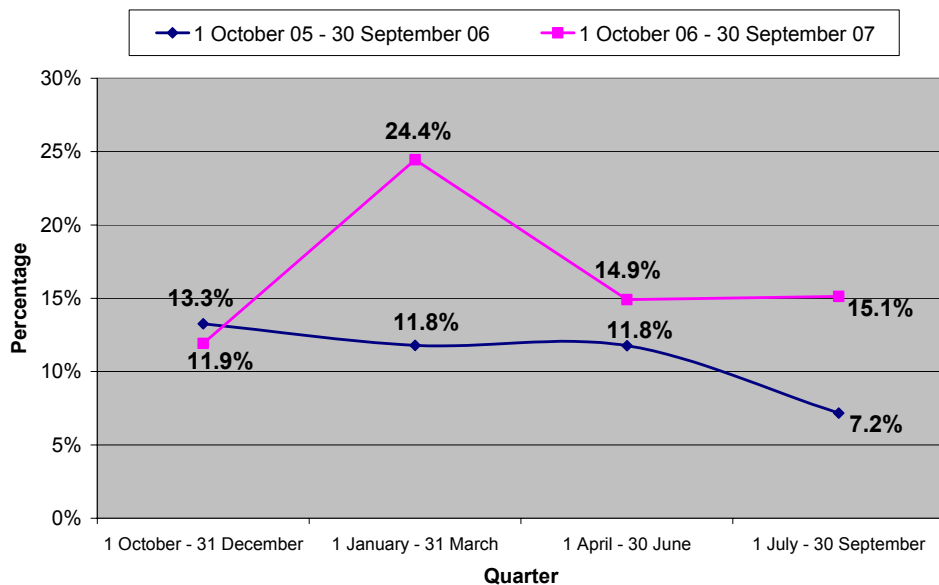
Number of Complaints per Quarter



Number of 2nd Level Complaints per Quarter



Percentage of Complaints Moved to Level 2



3.3 Complaints going to Waterways Ombudsman level

	2006/07			2007/08	
	Q2	Q3	Q4	Q1	Q2
Complaints accepted by Ombudsman	4	5	11	7	4
As % of BW level 2 complaints	21%	28%	50%	29%	20%
Number complaints completed	10	4	7	5	9
Number of completed upheld Of these () = partially upheld	7 (7)	3 (1)	2 (1)	2 (1)	2 (0)

3.4 B2B Relationships

Our B2B development programme began in early November. It will encourage clearer business wide understanding of priorities for developing such relationships and help business unit teams plan their resource around these. The programme runs through to October 2008.

3.5 Talking to Customers

Programme will be largely complete by March 2008. Some central personnel participation will spill over into the next financial year.

3.6 Freight

Tesco's announcement of their use of the Manchester Ship canal for shipping wine led to many press contacts regarding the possible 'renaissance' of freight on the waterways. Simon Salem was interviewed by BBC radio five and extracts of the interview were used on many BBC news programmes. We have subsequently contacted Tesco and arranged a meeting to explore their interest in waterborne freight.

3.7 McCann Erickson Campaign

We held coordinated regionalised media events to promote the launch of the McCann campaign, as well as setting up 'outdoor gyms' at various locations to target local media.

3.8 Freedom of Information

We have seen a sharp increase in Freedom of Information requests from the media in the last two months including the Guardian, Times, Sunday Times and Channel Four Dispatches. Most of these relate to long-term investigations into the use by public bodies of PR and public affairs agencies. There is no indication that British Waterways is being singled out. However, at the very least we can expect to be listed in a 'league table' of expenditure when articles appear (possibly later in the year).

3.9 Edgbaston Reservoir

The Channel Four investigative programme, *Dispatches*, is researching a programme on this summer floods due to be broadcast on 3 December. They are investigating the state of BW's Edgbaston Reservoir in light of the problems with Ulley Reservoir (which closed the M1 earlier in the summer). We have chosen to cooperate fully to demonstrate that Edgbaston is safe and we are fully compliant with the Reservoirs Act.

3.10 Waterscape.com re-launched

Waterscape.com, British Waterways' leisure website, has been re-launched with a fresh look and improved functionality. The improvements coincide with the *Yours to enjoy* marketing campaign, announced last month, and will make it easier for people to find out how they can use their local canal and river as part of their everyday lives.

The new site is easier to navigate and includes a quick search to help people find activities, listings and services in their local area but popular features from the old site, like the interactive map, have been retained. Other improvements include basics, such as a larger text size, to the more complex like finding specific information via a postcode search. The site now has three quarters of a million pages containing lots of useful information that we hope will encourage more people to visit our canals and rivers.

3.11 Moorings Tenders

The website was launched successfully on 26 October. 46 vacancies have been published up to 7 November. Over 1,000 customers have registered and we have received 20 tenders so far. The first sites tendered do not close until 23 November and we would expect more tenders to be received towards the closing dates since customer need time to visit sites and evaluate their tender strategy.

3.12 Licence Price Consultation

This was published on 8 October. In addition to discussion at British Waterways Advisory Forum and Waterway User and Special Interest Groups, Robin Evans and Simon Salem are holding four face to face discussion forums with interested customers during the consultation period.

4. STRATEGIC PEOPLE ISSUES

4.1 Senior management changes

Asset & Programme Manager, London: Peter Walker took up post on 5 November. Peter has worked in the London project engineering team since 2003 and previously worked for Balfour Beatty and other civil engineering companies.

Customer Operations Manager, South East: Peter Murphy has joined us as interim manager in the Milton Keynes office.

Property & Regeneration Manager, Scotland: This post continues to be covered on an interim basis by Stuart Hall pending a permanent appointment.

On the above basis we now have a full complement of senior managers for the first time since the 2006/07 restructuring.

4.2 Performance & capability profiles

Work is advancing to compile role documentation that clearly describes the accountabilities and capability requirements of jobs in the modified organisational structure. An HR project team is working with managers and specialists from across BW to produce this key organisational documentation, with completion planned for April 2008.

The documents, called *performance & capability profiles*, will be arranged in *Career Pathways* and will firstly be used to determine where roles fit into our salary structure. They will have applications in a range of other HR processes, e.g. recruitment & selection, training & development, career planning and succession management, setting objectives and managing performance, reward decision-making. They will help promote consistency and quality of management decision-making across BW.

5. LEISURE

5.1 Standedge

Standedge was runner up in the Yorkshire Tourist Board's 2007 White Rose Awards 'Visitor Attraction of the Year (under 50,000 visitors)' category in September. In October, Standedge retained its 'Quality Assured Visitor Attraction' status, awarded by VisitBritain. The Quality Assessment Report noted that 'Standedge visitor centre and boat trip is an excellent visitor experience; enthusiastic staff share their pride in the attraction for the benefit of the visitors.'

5.2 West Yorkshire Local Transport Initiatives

The Yorkshire Business Unit is working with a number of local authorities to develop 'West Yorkshire Leisureways', a network of improved cycling/walking facilities on towpaths. We are in discussion with the local authorities to develop a programme of works funded from Local Transport Plan monies over the next 2-3 years.

Discussions have taken place with Pennine Rail Partnership with the aim of forging better links between rail and canal in the Colne and Calder valleys. It is hoped this will include access, signage and joint marketing.

5.3 Gloucester Docks

The Gloucester Heritage Urban Regeneration Company and City Council organised, at very short notice, a Tall Ships Festival in Gloucester Docks on 27 & 28 October. The event which cost almost £100K was largely funded by SWRDA from flood recovery monies. Visitor numbers for this free event, which included live music, were estimated at 20,000 for the weekend. There were at least 300 people around our office on the Monday morning to see the ships depart. This event was a real visitor spectacle and made The Docks the centre of attention in the City for a weekend.

5.4 Gloucester & Sharpness Historic Interpretation Project

A project to interpret the Purton Graveyard by a local historian – historic boats beached along the estuary shore for bank protection purposes since 1909 – has won an award from the Nautical Archaeological Society. We have contributed to this with

an interpretative feature and the press coverage is attracting visitors to this area. More than 1,800 visitors have been given a guided tour to date.

6. RESTORATION/REGENERATION

6.1 Cotswolds

Despite making it onto the first short, short list of nine projects (out of an original 300), the Cotswolds 1B project was not selected by the Big Lottery. The Cotswolds Partnership will now have to consider whether there are any other options to create this link into the Gloucester & Sharpness Canal.

6.2 Milton Keynes Waterways Park

The bid to the Big Lottery Fund for £25m to develop the MK Waterway Park did not make it onto the short list. The key stakeholders (MKC, BW and the Parks Trust) are examining the feasibility of a much smaller scale project linking the Grand Union to Willen Lake. This would be funded by enabling development in the Campbell Park/Newlands area.

6.3 Black Country Canals

The West Midlands General Manager organised (on behalf of Simon Salem) a trip through the Dudley and Netherton tunnels for Ian Austin MP, Linda Waltho MP and local canal representatives. The key purpose was to help Ian Austin to understand the issues concerning the canals and the potential impact of the Black Country Big Lottery £50m bid - now short listed to go forward for a TV telephone vote in December.

6.4 Taylor's Boatyard, Chester

The Business Unit is trying to find a solution for the future of the yard which is classed as buildings at risk. Following the decision by HLF not to fund the project a meeting has taken place with Chester City Council to address immediate H&S and conservation concerns with a programme of works identified and costed. The Taylors Yard Trust would still like an involvement in the future of the site but have no means of taking this forward without the city's support. In the meantime a commercial operator has approached BW with a viable rental option which would allow BW to potentially invest commercial capital in the essential repairs. This is now our preferred option and we will meet with the Trust on 21 November to try and conclude the way forward.

6.5 Trent Vale Landscape Partnership HLF bid

East Midlands has been allocated £1.76 million from the Heritage Lottery Fund to deliver access improvements and raise the profile of the Trent Vale (River Trent corridor from Newark to Gainsborough). The HLF funding forms the main element of a £2.6million landscape partnership scheme being led by BW with other partners that include the Environment Agency, County and District Councils, Natural England and Wildlife Trusts. Match funding was secured in advance of the HLF bid with a BW contribution of £25k. The project will deliver visitor moorings and customer improvements along the Trent.

6.6 Olympics

Prescott Lock

The construction of Prescott Lock is currently on programme with tidal lock-out scheduled for end of February 2008. Design of the control building and a new bridge crossing is progressing well in partnership with Design for London, the Mayor of London's advisor on architecture. Sensitivities remain around additional costs associated with worse than expected site contamination and compensation events. BWL and the contractor are working together to minimise these costs. Funders of the project are also fully aware of the likely cost increases.

Waterspace Masterplan

Following representations by BW to the ODA's Joint Planning Authorities Team (JPAT), the ODA has agreed to produce a Waterspace Management Plan for all phases of the Olympic Park Development. The brief for the plan (prepared by BW) is now published for stakeholder consultation.

Others

BW and the PLA are working together to produce an operation and navigation strategy for Freight Operators.

Further funding is being sought from the Olympic Delivery Authority for other structures and works required within the Olympic Park – City Mill Lock, Carpenters Rd Lock, dredging, wharves, boat waiting areas etc.

6.7 Docklands

Crossrail

Following top level Government discussions British Waterways has agreed heads of terms with DfT/TfL/Crossrail for the construction of the Isle of Dogs station in North Dock. BW was not given many options as to this agreement which reversed our previous position.

In order to accommodate the station and approximately 70,000 sq ft of retail development by Canary Wharf, the station box will extend for some 260m, will be 26m wide and be 14m above water level.

Sensitivities remain around the remaining navigable Waterspace to the north of the station box. Negotiations are ongoing with CWG.

Waterspace

In light of the major projects planned and underway in the Isle of Dogs – most notably Crossrail, Wood Wharf and Heron Quays West – British Waterways has commissioned an updated Waterspace strategy from internationally renowned architects Terry Farrell & Associates. The objective of the strategy is to win support for British Waterways' aspirations to animate the Waterspace and ultimately for the local authority to adopt it as supplementary planning guidance.

7. PROPERTY

7.1 King's Cross

BWL has recently secured agreement with Argent, the developer at Kings Cross rail-lands, which will provide for canal improvements (including: new surfacing; lighting;

access and mooring facilities). It will also provide long-term maintenance contributions to ensure high standards are maintained beyond any British Waterways' 'steady state' provisions.

7.2 Grand Union Village, Paddington Arm

British Waterways and Taylor Wimpey officially opened the new Engineer's Wharf Marina. This 28-berth residential mooring site was built by Taylor Wimpey as part of a commercial agreement reached with British Waterways over their canalside residential development. British Waterways retains income from the moorings.

7.3 Loughborough Wharf

The opening ceremony for Loughborough Canal Basin took place on 2 October. Waterways Minister Jonathan Shaw joined British Waterways chairman Tony Hales, local councillors and representatives from development partners. The opening was marked by the unveiling of three sculptures created for the site by East Midlands artist Graeme Mitcheson, based on the ideas from local people, boaters and nearby school children. BW has also benefited from a substantial capital receipt for the sale of student units.

8. CORPORATE SOCIAL RESPONSIBILITY

8.1 Illuminating Links – Firhill Basin

A successful community event was held at Firhill basin (3000 attendees). This was a partnership project to illustrate to the community that the area is beginning to regenerate and transform. The events was the culmination of a major Schools project involving artist developing the Children's favourite local buildings into 3m by 3m floating Lanterns.

The event ran all day with various activities, including boat trips, canoeing and an entertainment stage, finishing in the evening with a torchlight procession , the unveiling of the lanterns and a major firework display.

8.2 Bridge Naming – Aire & Calder

A public competition to name the bridge which spans the River Aire and the Aire & Calder Navigation (from Clarence Dock to Fearn's Wharf) was launched in close collaboration with Crosbys and the Royal Armouries at the beginning of October. Coverage included Yorkshire Post, Yorkshire Evening Post and Radio Leeds.

The Rt. Hon. Hilary Benn (MP for Leeds Central) agreed to officiate at the unveiling ceremony on Friday, 2 November and was welcomed by the Chairman. The winning suggestion was submitted by 10 year old Maria Anderson. The new name will be Knight's Way Bridge.

9. CORE WATERWAY

9.1 Pollution Incident - Scotland

On 12 October 2007, during a planned draw-down of Birkenburn Reservoir to prepare for essential engineering works later in the year, a pollution incident occurred where silt entered the downstream water courses. SEPA staff attended the incident and formal water samples and statements were taken from BWS. Following the incident, a thorough clean up plan was undertaken. SEPA has been kept informed of all mitigation measures since the incident and will inform BWS in the next few weeks whether any further legal action will be taken. An internal investigation was undertaken to ensure that there would be no repeat of such an incident in the future.

9.2 Freight – South Yorkshire

In the light of the decision by Yorkshire Forward not to fund the Aire and Calder Container study, we have held informal discussions with Leeds Planning to look at alternative uses for Stourton. Leeds understand the delicate issues surrounding this and have agreed to let us know if there are other suitable areas on the outskirts of Leeds for a more moderate freight “offer”.

A claim has been received from Waddington (SYN operator) in relation to damage sustained as a result of BW allegedly not complying with the statutory requirements. The Customer Operations and Technical Directors reviewed the dredging issues arising and have requested a paper to be prepared to set out the key issues and actions recommended.

9.3 Upper Lee Valley Regeneration

BWL has secured £800k from Green Arc (a local growth area fund) to improve 4km of towpath between Waltham Abbey and Broxbourne. The works will enable us to make the towpath DDA-compliant, create a series of circular walks and improve visitor signage. The first phase will be complete by March 08, and Green Arc has indicated further funding may be forthcoming to connect the Upper Lee Valley improvements with the River Stort Navigation.

9.4 Project Approvals

I have approved the following projects:

- **South Stratford Canal – Wilmcote Locks Phase 1 - £920,000**
- **Shropshire Union Canal – Dredging Hack Green - £639,000**
- **Lee Valley Towpath Improvements - £844,000**
- **Hale Wharf Footbridge, Stage 2 Design - £797,250.**

ROBIN EVANS

November 2007.