

## **CHIEF EXECUTIVE'S REPORT**

### **1. STAKEHOLDER RELATIONS**

#### **1.1 MSP Reception/BW Scotland Annual Meeting**

An MSP Reception was held in the Scottish Parliament on 6 September, the evening before the BWS Annual Meeting. Twelve MSP's attended the reception, during which, Campbell Christie and Cathie Craigie MSP addressed the audience outlining the activities on the Scottish Canals. Steve Dunlop will be contacting the various MSP's regarding specific canal issues relating to their constituencies.

The British Waterways Scotland Annual Meeting took place in the Hub, Edinburgh on 7 September. The meeting was addressed by the Minister for Transport, Tavish Scott. The Minister announced that the Scottish Executive would contribute an extra £1.5 million towards the landscaping and public realm project at the site of the new canal basin at Port Dundas. Following his address, the Minister took questions from the audience.

The number of attendees at the meeting was similar to last year. Whilst this is not as high as in previous years, interest is still strong. Questions and comments from the floor were in the main positive and the funding announcement, from the Minister, was well received.

#### **1.2 UK Government**

We met with key representatives from the Boating User Groups during August. At this meeting we provided an update on the financial cutbacks imposed on BW by Defra and an overview of the expected Comprehensive Spending Review timetable.

IWAAC, the Trade Unions and BMF have all written to the Minister expressing concerns about the cuts and the longer term funding issues. We know Ministers have also received a number of direct enquiries from MPs to such an extent that I have been told BW has 'caused the most fuss about the cuts'. We have taken every opportunity to engage with Ministers and since the last Board Meeting we have met in various ways with John Prescott (three times), David Miliband (twice), Barry Gardiner, Richard Caborn and Shaun Woodward. We have also met with the Shadow Spokesmen for the Environment, and also Culture, Media & Sport.

Preparations for BW dinners and fringe events during the forthcoming Party Conference season are complete.

Barry Gardiner has agreed to host our Regeneration Dinner on 15 January 2007.

### **2. MARKETING & CUSTOMER SERVICE**

#### **2.1 Media Relations**

**Regeneration & Restoration**

Following a briefing by agencies involved in the proposed restoration of London's Bow Back rivers, the *Daily Telegraph* ran a story at the start of July announcing the proposed restoration of the Prescott Channel and a lock to maintain water levels up stream of the Thames tidal section.

*The Economist* featured British Waterways and its work to regenerate land alongside the waterways for the benefit of the public, highlighting Camden Lock as being ".....a fitting image of the revitalisation of Britain's oldest national transport system....".

### **Promoting Boating and Marinas**

With a record number of licensed boats on BW's waterways, partly as a result of our crack down on licence evasion and partly because of the popularity of boat ownership, we proactively released a story with the headline 'more boats now than during the height of the Industrial Revolution'. This was featured in the *Daily Telegraph* during August.

Our ongoing promotion of the Marina Investment Guide led to BBC2's *Working Lunch* business programme featuring a new marina about to open on the Llangollen Canal, replacing a field of dairy cows. Messages about the popularity of canals, the benefits to the rural economy and the business opportunities associated with waterways were conveyed. A variant of this story featured in *The Times* on 16 September.

The national media continue to show interest in residential boating and the opportunities for living on board inner city boats. The *Financial Times* considered the pros and cons of residential boating in a special weekend section at the beginning of September. We worked closely with them and succeeded in ensuring a balanced piece was produced which stressed that residential moorings were few and far between.

### **Grant**

At the start of August *The Guardian* featured the Defra grant cuts and their impact on the environment after receiving a briefing from the Environment Agency. We contributed to this article reactively, leading to additional reporting of how the cuts would affect our maintenance programme for this coming winter period.

### **Promoting Visits**

Our annual Lock and Bridge awards for bank staff, recognising their commitment to maintaining attractive stretches of waterway received wide regional and local coverage during the period. It also promoted a call to local people for memories of how waterways used to be, and a number of interesting recollections have been received to date. We intend to use these in future work to promote the localness of waterways and the improvements to facilities that have been made.

The annual National Wildlife Survey continues until October, and during this reporting period we have arranged school visits for over 400 children to their local waterways. These events have been used within regional and local media outlets to promote BW's social inclusion and educational activities.

## **2.2 Complaints Procedure and Ombudsman Scheme**

Q2 data will be available at the end of September and will be made available at the next Board meeting.

### 2.3 Customer Service Transformation

The marketing strategy is complete and is the subject of a separate report to the Board (BWB3246).

The Moments of Truth assignment has engaged around 200 BW people in understanding and assessing BW performance from customers' perspectives. All have responded well and team discussions regarding appropriate service standards for BW are on going. The project concludes with an October 06 report with recommendations to the Customer Service Transformation board. The service standards arising from this work are to be integrated with physical (waterway) standards from BW's steady state model.

An options appraisal study for a BW contact centre commences September 06 and a Talking to Customers programme designed to improve our people's communication skills will be tendered early October 06.

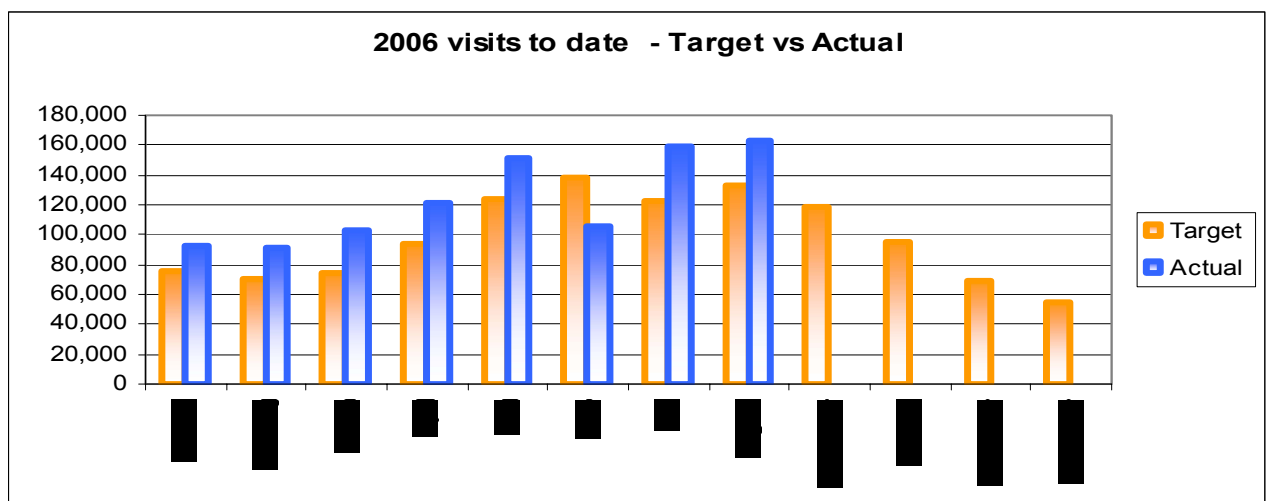
### 2.4 Research

Recognising the importance of waterside businesses in delivering to BW customers, an independent and professionally conducted survey of such businesses is underway. Its purpose is to understand where and how BW's B2B relationships need to be improved.

All regular research is progressing satisfactorily with economies being achieved through re-tendering processes.

### 2.5 Waterscape.com

The reorganisation of waterscape has proved to be effective with visits exceeding targets, see graph below. Because of the new search engine strategy the site has adapted, visits are now much more closely focused on our vision of generating visits.



Nb June is below target due to switching off marketing activity whilst changing over to a smaller, and less expensive agency

Staff costs have been reduced by 20% following the budget set for 2006/07. A gradual redesign of the architecture of the site is taking place. New fisheries and waterside pub finder sections have been added.

### 2.6 Code of Practice

We have worked successfully with the British Marine Federation (BMF) to complete the revised Fair Trading Code of Practice. All involved were pleased with the process and we are now planning the formal roll out and training requirements. We want to do this in conjunction with BMF and they can't discuss it until after the Southampton Boat Show.

### **3. RISK ISSUES**

#### **3.1 Volunteer Safety**

Following the death of a volunteer who was mowing grass on the Cotswolds Canal, probably caused by a heart attack, I have reviewed procedures in regard to volunteer safety with GMs. I am satisfied with our approach which is the same as that for a small contractor.

Additionally, GMs have now written to all volunteers advising them of our assessment process and asking for confirmation of planned activities.

The HSE have written to the Cotswolds Canal Trust to say that they will not be taking any enforcement action following the fatal accident.

### **4. STRATEGIC PEOPLE ISSUES**

#### **4.1 Senior Management Changes**

John Lancaster will retire as a director on 10 October 2006. John joined BW in 1996 as Regional Manager for the then Midlands & South West Region. He subsequently became a Director and managed the southern business units from the time of the 2003 restructuring.

Richard Smith, Estate Manager, West Midlands Waterways, has been appointed BW's Head of Estate Management, a position vacant since earlier this year. Richard will be a member of the Commercial Investment Group in addition to continuing to manage the West Midlands' estate.

In the Legal team, Jackie Lewis has commenced maternity leave, Stephen Mendham left on the 17 September and Warren Redcliffe has assumed additional responsibilities pending recruitment to the team.

Ed Fox has been promoted to the new post of Corporate Affairs Manager - London, working with Mark Bensted and Simon Salem on external relations and communications issues in the Capital.

Steven Cole, temporary Pensions Manager leaves at the end of September. Barbara Nelson has joined as Remuneration & Pensions Manager in the new HR team. Barbara has extensive experience in the pensions industry and joins us from Northern Foods plc where she was deputy Pensions Manager.

Dave Tyrrell left in August after 30 years' service, including 13 years as a Waterway Manager for the Gloucester & River Severn waterway prior to restructuring.

#### **4.2 Executive Development Programme**

Talks are taking place with a preferred external supplier about conducting an analysis of development needs of Directors, GM's and Senior Heads of Departments. It is

intended that the analysis will lead to the provision of a managed programme of development opportunities for the top team.

#### **4.3 Online Recruitment**

B.W. is to invest c. £20k in an online candidate management system that will transform the way B.W. hires new recruits. Traditional recruitment advertising and job application processes are expensive, time-consuming and inefficient. Online recruitment is the modern way in which companies now source people for jobs. We are purchasing a product marketed by our existing recruitment advertising agency, Stafford Long & Partners based in London.

#### **4.4 Pension Scheme Governance**

Ballot papers have been issued to existing contributing members of the B.W. Pension Scheme to elect a Pension Trustee Director. There are two candidates. A ballot will also take place shortly of existing pensioners for the Pensioner Trustee Director position as three candidates have come forward.

#### **4.5 Directors' Remuneration**

Following questions from Trade Unions about Director Remuneration, Terry Tricker met Union representatives in his capacity as Remuneration Committee Chairman. Terry gave a full and transparent explanation of Director Remuneration Policy answering all questions posed by the Trade Unions.

#### **4.6 Apprentice Exchange**

British Waterways have partnered a German company, Dortmunder Stradtwerke (DSW), and participated in "Training Bridge" sponsored by the British Council and Inwent. The aim is to foster Anglo-German relations by giving apprentices the opportunity to experience the working and cultural styles of both countries.

At Newark, East Midlands B.U. hosted three students for seven working days. They worked with different departments within the unit.

Lara Porter from the British Council joined us at Newark to see how the exchange was going.

### **5. LEISURE**

#### **5.1 Unlicensed Craft**

South West Waterway has successfully pursued an unlicensed live aboard boater through the court process. The boat has now been removed from the K&A. Whilst this is a milestone, the case was made much easier by the owner vacating before we arrived to enforce the judgement. A much stiffer test awaits us where the boat owner is less compliant.

We were about to physically remove another boat when the owner appeared and claimed it as his home. The lift was aborted and the owner was presented with a bill for licence arrears of £1,776 and costs of £3,433. He paid the licence arrears immediately and a week later we received the full amount of costs. Two more boats will be removed in the coming week or so.

#### **5.2 Inland Waterways 2007 National Trailboat Festival**

This will be held on the Grantham Canal over the Spring Bank Holiday Weekend 26-28 May 2007. The Business Unit is establishing the additional works this will entail so that the funding can be secured from the Grantham Canal Partnership and external funding bodies.

### **5.3 Standedge**

To date this season, 5,834 visitors have taken the short boat trip. The new exhibition in the visitor centre was officially opened by Judith Donovan, Millennium Commissioner & Chairman of the Yorkshire Tourist Board, on 21<sup>st</sup> July. Since the opening of the new exhibition and the installation of new on-site signage, boat trip visitor numbers have increased markedly: the average weekly visitor total prior to the opening of the new exhibition was 230, whilst the average weekly total since 22<sup>nd</sup> July has been 654 visitors.

### **5.4 FunQuay Beach Weekend**

Around 35,000 people came along to the annual FunQuay Beach weekend at West India Quay in Docklands organised by British Waterways London and partners X-Leisure. For two days West India Quay was transformed into 'West India Quay-on-Sea' with Britain's only floating pontoon holding 30 tonnes of sand and a vibrant promenade of street entertainment, live music, funfair rides and Brighton Farmers' Market.

## **6. RESTORATION/REGENERATION**

### **6.1 Taylor's Boatyard, Chester**

The HLF case officer has previewed the reworked application and is very supportive. A final cost verification exercise is underway to inform the main application to be submitted at the end of September. The revised project value is expected to be £2m. The submission will be heard in March 2007 with final approval at the September 2007 committee. Heads of Terms with Chester City Council for the lease for Taylor's Yard were agreed at a Council meeting on 20<sup>th</sup> July 2006.

CTP have reviewed the development potential of the Flat Shed and are due to submit a financial proposal to BW shortly.

### **6.2 Big Lottery – Access to the Natural Environment**

BW is a partner in a consortium led by Natural England that has been awarded £25 million by Big Lottery to run an award programme under this scheme, likely to be from mid 2007 for 3 years. Our application recognised that many communities lack the benefits that arise from access to the natural environment and that new and determined approaches are required to address this. The scheme is designed to deliver 5 outcomes:

- Greater diversity and number of people aware of, and benefiting from, the natural environment;
- More people learning about the natural environment and gaining new skills;
- More people able to enjoy the natural environment through investment in access to natural places and networks between sites;

- Richer, more sustainably managed natural places meeting the needs of communities;
- Increase in community's sense of ownership of local natural places, through strong partnerships between communities, voluntary organisations, local authorities and statutory bodies.

The award programme will be open to all, including BW and our partners. Revenue and capital grants can be provided. It is expected that the level of match funding will be at the lower end – e.g. 20 – 25% and improvement of assets is likely to be a key feature in any successful application.

We will now work to ensure that this opportunity is best utilised in terms of improving the waterways.

## **7. CORPORATE SOCIAL RESPONSIBILITY**

### **7.1 Safe Anchor Trust – West Yorkshire**

BW Yorkshire has an on-going partnership with this Trust and West Yorkshire Police to provide access to canals for groups who are generally excluded from leisure activities because of special needs, health or mobility problems, ethnic or socio-economic background. In Summer 2006, one of the partnership's successful projects centred around working with young people to tackle anti-social behaviour and highlight safety on the waterways.

## **8. PROPERTY**

### **8.1 The Glasgow Canal Regeneration Partnership**

The Glasgow Canal Regeneration Partnership has reviewed the plans for the canal corridor and its future regeneration. The planning application for Dundas Tower has been withdrawn and a decision on the New Rotterdam Wharf application will be taken shortly. Further community consultation will take place before any new planning applications are submitted for the corridor. BW has received confirmation of £1.5 million grant from the Scottish Executive and £495k from Scottish Enterprise Glasgow towards the landscape links to the city centre from the new basin, along with £1.25 million from Glasgow City Council. A paper seeking Board approval to accept this funding is included under agenda item 8.

## **9. LEGAL**

### **9.1 Fatal Tractor Accident - Kennet & Avon Canal**

BW has been served a summons for an alleged offence under s.3 Health & Safety at Work etc Act 1974 that "it failed to ensure, so far as was reasonably practicable, that persons not in BW employment were not exposed to risks to their health and safety."

The summons asserts that the practices adopted by BW for the use of tractors on the towpath had not been suitably assessed and were unsafe in the light of the deaths of two contractors in late 2004 who drowned when a BW tractor they were using for hedge cutting on a towpath fell into the canal.

The initial hearing will be in Swindon Magistrates Court in November but it is possible that the case will be transferred to the Crown Court.

## **9.2 Corporate Manslaughter and Corporate Homicide Bill**

This Bill was introduced into the House of Commons shortly before the summer recess. The Bill makes provision for a new offence of corporate manslaughter (to be called corporate homicide in Scotland) and for this to apply to companies and other incorporated bodies, Government departments and similar bodies and police forces.

The offence will be committed when an organisation owes a duty of care to a victim and is in breach of that duty of care as a result of the way in which certain activities were managed or organised by its senior managers. The management failure must have caused the victim's death and the breach of duty must have been gross for the offence to have been committed. The test for a 'gross' breach of duty is that the conduct that constitutes the failure falls far below what would reasonably have been expected.

Individual liabilities for Corporate Manslaughter are expressly excluded by the Bill, so that an individual cannot be guilty of aiding, abetting etc the commission of the offence. The penalty for a conviction of the offence is an unlimited fine.

Passage of the Bill through Parliament will be monitored and a fuller report on the implications for BW will be made to the Board in advance of the proposed law coming into force.

## **9.3 Planning Enforcement – Long term online moorings**

BW has been served a planning enforcement notice in respect of a site of long term moorings near Pewsey, Wiltshire, on the Kennet & Avon Canal. The notice raises issues of principle that threaten the ability of BW to manage moorings on its waterways and hence the revenues from those moorings. BW is appealing the notice and a public enquiry is due to be heard in December.

Under pressure from an influential landowner, Kennet District Council (KDC) is seeking to have the moorings at this site removed. To achieve that, KDC asserts that any mooring of a vessel on canal, other than in the course of navigation, is a material change of use that requires planning permission. To date planning authorities have accepted generally that mooring of vessels on canals, even when not being navigated ('home moorings'), is an activity ancillary to its established use as a managed navigation and that a material change of use occurs only when static vessels are permanently sited in one location, or a mooring location is used as the occupiers only or main residence.

If the challenge by KDC succeeds all existing online long term mooring sites without at least 10 years continuous use will require planning permission as will any new mooring sites (regardless of whether they are used residentially). In view of the seriousness of the challenge to BW's online mooring business, leading planning counsel has been instructed and significant resource is being employed in preparation of the appeal.

## **9.4 Threat to VAT refunds – VAT Tribunal, Birmingham**

At present BW is able to reclaim about £20m of VAT annually incurred on waterway works since VAT is charged on Boat licences/certificates. A boater has challenged the charging of VAT in respect of river only certificates, asserting that there is a public right of navigation and that such certificates are for registration purposes only and therefore are not consideration for supply of a service on which VAT is chargeable. If he is successful in the appeal significant amounts of VAT reclaims will be at risk.



Following rejection of his challenge by HM Revenue & Customs he appealed to the VAT Tribunal. In view of the potential impact on its finances BW joined HMRC as a respondent to the appeal which was heard at Birmingham on 18 & 19 September. The issues in the appeal were more matters of waterway law (on which the Legal Director gave evidence) than tax law. Both HMRC and BW were represented by specialist counsel. The judgment of the Tribunal is expected to be handed down in the second half of October.

## **9.5 Judicial Review – Business rates transitional relief**

Following the successful judicial review of the business rates transitional relief scheme brought by BW earlier this year - *R (on the application of the British Waterways Board) v The First Secretary of State* [2006] EWHC 1019 (Admin) – new draft regulations have been published. The Department for Communities and Local Government (as successor to the Office of Deputy Prime Minister) placed these before Parliament immediately before the summer recess.

The draft regulations amend those declared unlawful in the litigation. Of the various methodologies available to enable BW to benefit from the transitional relief it had been denied under the original regulations, the DCLG have chosen to implement the simplest solution that in fact gives greatest financial benefit to BW in that it will pay almost nil rates for four years of the five year transitional period.

## **10. CORE WATERWAY**

### **10.1 Costing Inland Waterway Freight – Study Brief**

BW has issued its freight study brief to 4 consultant firms. Written submissions are required by 3 October 2006 with interviews to be held on 31 October.

In describing the purpose of the brief, reference is made to BW's concern that the various grants available to put freight on the waterway (particularly Freight Facilities Grant) do not take full account of the costs that such traffic imposes on BW and that therefore:

- BW effectively subsidises freight traffic, and
- The benefits of freight traffic are not as substantial as funders assume.

The brief continues that BW requires an independent study that will:

- Review the last major freight infrastructure investment on BW's waterways (Sheffield and South Yorkshire in the 1980s) to see what lessons can be learned from the failure of this project;
- Review BW's current analysis of the marginal cost of carrying freight on its waterways and validate that analysis or inform any changes to it.
- Identify the market price for waterborne freight (i.e. what likely customers are prepared to pay for waterborne freight) and how this compares with other modes;
- Evaluate objectively, in cost benefit terms, the environmental and social value of providing subsidies in the light of 1 and 2 above.

- Make recommendations for changes to the current grant regimes to make them more effective in achieving government goals for the carriage of freight by water.
- Assess whether BW's current objective of doubling freight traffic is achievable and if so, over what timescale and at what additional cost.

## **10.2 Water Supplies**

Reservoir water levels are recovering following the hot dry spell. On the Leeds & Liverpool Canal where holdings were particularly low, regular customer consultation meetings were held during July and August. A series of measures to conserve resources were agreed and implemented with the support of our customers. The summit pound has been locked to prevent misuse by boaters, which had caused significant water losses. Although costly in overtime, this measure has been greatly appreciated by users.

The hot weather also led to an increase in incidents of anti-social behaviour and vandalism on some mainly urban canal locations. This can further exacerbate water losses. Following vandalism on the Huddersfield Narrow where paddles were kept open causing a 3 day closure, a recurrence has been prevented by locking up the canal overnight. Increased overtime costs are, again, a consequence of this.

## **10.3 River Lee - Duckweed**

The overriding priority on the Lower Lee has been the removal of duckweed from the channel between Tottenham Lock and Limehouse Marina. The unusually hot weather caused the weed to flourish. We were the subject of considerable press interest, some of it national, with most of the news items concentrating on water quality issues. 61 lorry loads of weed were removed to land fill during July and August at a cost of over £22k. This equates to over 3000m<sup>3</sup>. Over 1000 man hours of internal labour have been spent clearing the weed at a cost of £15k. The navigation has been kept relatively clear of weed and we have seen a marked improvement on previous years. The continued removal of weed over the coming two months is crucial to the future reduction.

The proposed trials to compost the duckweed at the London Waste plant at Edmonton have been postponed. They have been receiving complaints from local communities about odour and they are in the process of searching for a satisfactory solution. As the rotting duckweed is particularly odorous it was deemed sensible not to add to the bad publicity. A solution is still being sought.

## **10.4 Docklands – Concrete batching plant**

We are discussing the prospect of bringing a concrete batching plant into Docklands to service the local developments. The main concern is with Cable & Wireless who have concerns on the impact of the vessel on their satellite operations. They have worked with BW and Hanson to try to resolve the issues and we are hopeful that an agreement will be concluded soon to enable the vessel to come into the docks. This would produce a good income stream for the docks.

## **10.5 Cycling – Regents Canal**

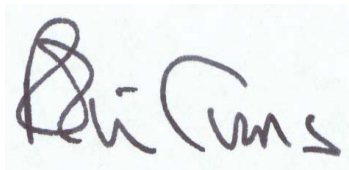
The consultancy, Transport Initiatives, has recently submitted a first stage report investigating shared use and safety issues along the Regents Canal towpath. This study has identified key issues associated with the problems we face with conflict of

use (pedestrians and cyclists) along busy sections of the towpath. TfL has committed £180K to put measures in place to reduce the safety hazards associated with this well used stretch of towpath.

## 10.6 Project Approvals

I have approved the following operational projects:

- **Rushall Locks, West Midlands [£944,000]:** Rebuilding of three locks. Existing lock walls are leaning inwards, narrowing the chambers and restricting boat passage;
- **Boddington Reservoir, South East [£838,000]:** Works to reservoir to be carried out in the interests of safety as a result of Inspecting Engineer's Report. Works involve improving the stability of west dam, adding toe drain at base of west dam, increased wave protection to north and west dams. In addition, the opportunity is being take to improve the safety of access to the water's edge for anglers;
- **Wilstone Reservoir, South East [£508,000]:** Works to be carried out in the interests of safety as a result of Inspecting Engineer's Report. Works involve remedial and improvement works to spillway and the sealing around an outlet main,
- **Kellingley Mining Subsidence, Yorkshire – Phase 5 [£2,074,000]:** Works to Aire & Calder Canal ahead of planned mining by UK Coal. Works involve bank protection and bank raising to cater for predicted settlement due to future mining. Works are agreed with and largely funded by UK Coal.
- **Swellands Reservoir [£943,000] and Black Moss Reservoir, Yorkshire [£1,280,000]:** Two reservoirs on moor above Standedge Tunnel. The moor is a SSSI and major element of costs is providing works access and subsequent removal, all to the satisfaction of English Nature. Works required to both reservoirs are safety related as required by Inspecting Engineer,
- **Trent and Mersey Main Line Dredging, Central Shires [£549,000]:** Main line dredging as part of annual national dredging programme.



**ROBIN EVANS**  
Chief Executive

September 2006.