

ANNUAL MEETING 2010

Tony Hales, Chairman, British Waterways

Good morning and welcome. We have a full day which will include a review of the past but most importantly presentations and discussions of the exciting new opportunities opening up for the waterways.

In setting the scene, I want to review some highlights not only over the last year, but of the first decade of the twenty-first century. Starting with scale, the network has continued to expand and restorations include:



2001 Edinburgh to Glasgow – Millennium Link (opened by Queen in 2002)

2001 Huddersfield Narrow Canal

2002 Rochdale Canal

2002 Anderton Boat Lift

2002 Millennium Ribble Link

2007 Montgomery Canal extended to Gronwen

(Hope to reach Crickheath by 2012 subject to volunteer activity and funding)

2008 Manchester, Bolton & Bury Canal Phase One

2009 Liverpool Canal Link

2009 Bow Back Rivers

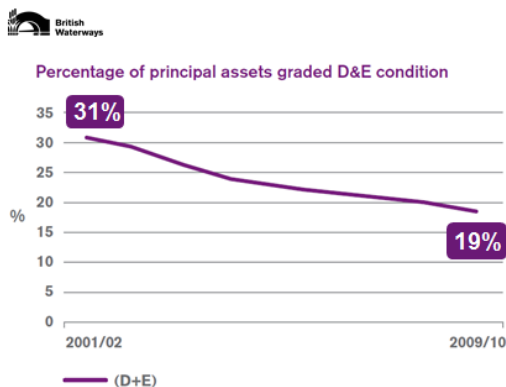
2010 Droitwich Barge Canal

2011 Droitwich Junction Canal

And we continue to work with a significant number of partnerships to support their aims of further restoration.

In terms of maintenance, over £1 billion has been spent on regular maintenance. This included replacement of over two thousand individual lock gate leaves, major upgrades at our 90 reservoirs, repairs to many of our 710 principal (or major) embankments embankments to address leakage and instability and reduce risk, and around £66m on dredging. We have monitored and maintained nearly two thousand culverts or about 1 for every mile of waterway and 125 miles of controlled feeders,

essential engineering structures that are largely invisible and off the normal radar. We have also fixed major failures such as breaches on the Mon & Brec, Stourbridge, and Caldon canals. During this time we cleared our historical £100m of safety related backlog and have made major inroads into our remaining arrears of maintenance.



All this investment has ensured the percentage of our assets in the two worst conditions – Grade D and E – has been significantly reduced from 31% of our assets to just under 19%. It is fairly unusual that I see or hear a complaint about one of our major hundred thousand pound plus repair projects. The complaints are about small problems in a financial sense, but very irritating to boaters – spot dredging, vegetation and the location of signs and bollards. When resources are scarce, difficult choices have to be made and we don't always get them right, More local involvement could, I believe, reduce the genuine irritation that people feel and experience.

Sometimes just a better explanation of the facts is all that is needed but sometimes we need to take much more notice of local experience and expertise. That is why we are so keen on the new governance structure and the important role Local Boards will play in the future.

But let me be clear. Without the massive targeted investment in major infrastructure repairs our waterways would have suffered much greater disruption and failure with a much greater impact on customer's use and enjoyment.



13 million visitors

The usage of the system has grown hugely from over 25,000 licensed boats in 2001 to nearly 35,000 today and 10 million visitors in 2001 to 13 million today. If popularity is a measure of success and I believe it is, then this is a major British success story.

To deliver these programmes, BW has had to generate increasing amounts of its own income as government expenditure has been squeezed. Over the last 10 years absolute income has grown from £62m to £101m. The strong upward trend dropped back slightly in 2009/10 due to a one-off property receipt in the previous year.



£250 million of revenue profits

The recession of late 2007 to mid 2009 hit our balance sheet asset values but underlying revenue income for funding the waterways remained stable. It is important to look at performance across the cycle and not at just years of fat or years of famine. Over the 10 years our property team have generated over £250 million of revenue profits towards the cost of funding waterway expenditure and a further £200m of capital returns which has boosted our reserves. At the same time BW has outperformed the UK commercial property sector as a whole over this period. Anyone who doubts this clearly believes they can out-think the best brains in Her Majesty's Treasury who have

looked three times at disposing of BW's property endowment and been forced to admit it is best managed by us.



Our Utility team has also done a great job and is now pushing ahead in wind power and micro generation from weirs. Their creative partnership in Brentford to cool Glaxo SmithKline's global HQ with canal water has been put up for an international environmental award AND it is contributing cash to fund the canal. Utilities are now contributing over £20m p.a. to waterway expenditure.

And BW managers have been remarkably successful in attracting lottery, local authority and European money – over £300m over the last ten years, demonstrating real skill in this

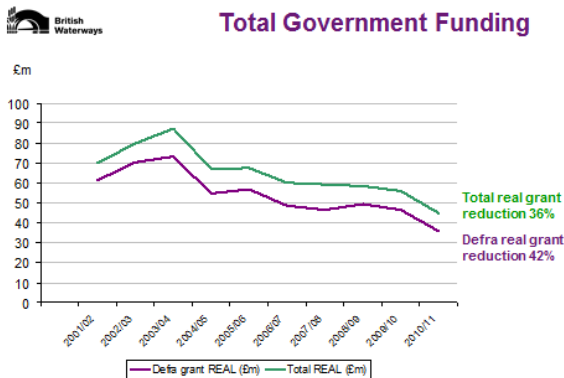
area of putting together successful bids. And this does not include many millions of work to our infrastructure carried out by others such as local authorities. As a result miles of towpath have been resurfaced, visitor facilities upgraded, wildlife habitats created and protected and much more besides.



British Waterways has also played a vital role in the regeneration of our cities and while this may not have been a priority, or indeed of any interest to some of our boating customers, this has been an objective for the Board set by both Governments, in Westminster and in Edinburgh, and this has been an essential reason for their financial support of the waterways.

As an organisation we care about the waterside as well as the waterways and we have played a major role in transforming public attitudes to the waterways. To give you one example, 100 years ago the terminus of the Grand Junction Canal

was being described as the Paddington Sewage Basin. Just over 10 years ago few local people knew it even existed and St Mary's Hospital was calling for it to be filled in. Today it has public access, homes, restaurants, free moorings and the HQ of Marks & Spencer. In another 10 years, when the development is complete, Paddington Basin will be a major waterside hub with canoeists, trip boats, homes and businesses. This isn't just good for Paddington it is good for the canals and has been replicated all over the country.



The drive to generate investment from new sources has been essential in maintaining and developing the waterways given that Defra grant has declined by 42% in real terms over the last 10 years. Frankly there has been no alternative but to drive better financial returns from our assets.

Let me also mention the environment and heritage achievements. Water quality continues to improve and with better knowledge and care, the habitat is more sensitively managed for wildlife. Water voles, otters, kingfishers are all increasing in number due to the expertise of our ecologists

and the integrated management of the waterways by our very professional teams up and down the country. The Olympic Waterways that were little better than a sewage outflow are being improved as we work with a number of organisations on a long term project to encourage an increasingly abundant and diverse array of wildlife in this previously neglected area of East London.

Our waterways also continue to provide an incredibly important corridor for wildlife as highlighted in the recent Lawton Report – Making Space For Nature.

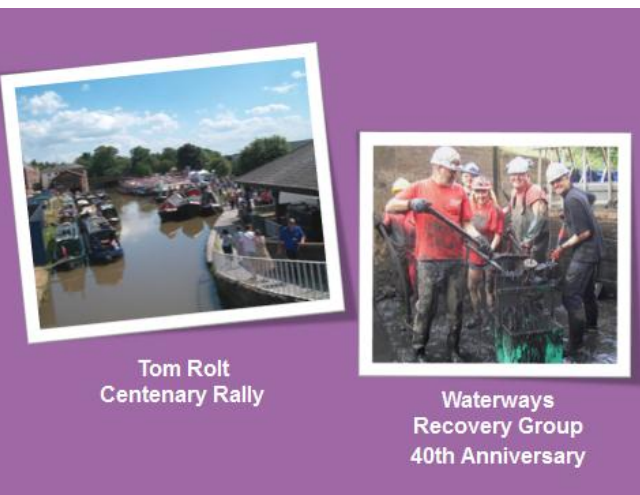


Over the years we've also dramatically reduced the number of heritage structures at risk from 125 to 35 and we are regularly praised by English Heritage for our progress and the skills of our people – and they are not known to be free with their praise! In the last two years alone planned work to around 1000 heritage assets took place with a compliance record exceeding 99%.

Efficiencies in working practices have had to improve and inevitably there has been a reduction in numbers employed of around 280 people on a like for like basis, as new working practices and new technologies

have been introduced. All organisations have to relentlessly examine their working practices to compete and operate effectively, and this is not easy for staff or on occasion customers, who see a trusted contact moved on. Our staff deserve great credit and my thanks and the Board's thanks for the way they have accepted change, while continuing their commitment to the waterways and its customers.

I could go on – but I would also say has every decision been right – No, has every plan worked – No, has criticism at times been deserved – Yes. But BW has good reason to be proud of its record, the people who work with such commitment and passion for preserving and developing our waterways should be proud of it, and our partners without whose engagement and support, this record would not be possible, should be proud of it, and I include such as the IWA, NABO, the Waterways Recovery Group, the Heritage Lottery Fund, restoration trusts like the Droitwich, Grantham and Avon trusts, and the many local councils, and also national governments, as examples of partners who should be proud of what has been accomplished together. To the knockers who can only find ill to say or blog, I say you not only diminish the achievements of my colleagues, but you also diminish the achievements of so many dedicated partners, including so many passionate campaigners and contributors from the boating world. Constructive criticism is necessary and of great value if at times painful to receive. Continuous destructive criticism has no value to anyone.



Tom Rolt Centenary Rally

Waterways Recovery Group 40th Anniversary

There is more to be done and there are always better ways to do things, but working together we have delivered a great deal. We go forward from a position of relative strength not from perfection and not without challenge, but a base which a united waterway movement can take forward.

In the past when the movement has focussed on internal schisms it has lost momentum, it has lost focus, individuality has threatened the strength of the team. We must learn from those lessons and in conducting discussions about governance, strategy, operational priorities ensure constructive dialogue that recognises the strength of the movement is its wide appeal rather than the sectarian

interests of one group versus another.

So in this year, when we celebrated Tom Rolt's Centenary and indeed the Waterways Recovery Group celebrated the 40th anniversary of their founding, we are poised on a new threshold. We have made rapid progress since the launch of our new vision just two years ago with our panel of John Gummer, John Edmonds, Carole Souter and Richard Fairhurst. Legislation has been introduced to Parliament, which allows the transfer of responsibility of the waterways from government to a new civil society organisation.



If our proposals reach the statute book, then the Board, now a Board of Trustees, will no longer be accountable to a Minister and his departmental officials, but to a Council representing the people and organisations that use and support the waterways. The Council will approve the charity's plans and its Board of Trustees; that approval will no longer be the prerogative of one Minister. It is a new start with new responsibilities for all involved and that will require not only the Board, Management and Employees of the new charity to adapt to the new situation, it will also mean changes by stakeholder organisations. They will now have the benefit of a seat at the table, but

will also carry the responsibility including legal and financial responsibility that goes with the seat. For the many boaters who feel that they contribute disproportionately, this is the chance to hugely increase the contribution from wider society but it requires a huge change in outlook. Everyone will need to contribute solutions and those who had the luxury of just contributing problems without solutions will be exposed for what they are. We will be on the forefront of the positive moves to a new civil society, and we must embrace and seize this opportunity with enthusiasm.

Robin, who has led much of this drive for a more democratic, open and stakeholder controlled organisation, will elaborate on more of the detail. For my part I want to see an expanded and better maintained sustainable waterway network that can only be delivered by a lean organisation supported by well organised volunteers. An organisation of experts in commerce, environment, navigation, engineering, marketing, management and fundraising working with stakeholders who want to contribute not carp. It must engage the most diverse range of interested people. We need support from a significant proportion of the 13 million users and we must recognise their diversity in every sense of diversity, from diversity of interests to diversity of age, diversity of ethnicity and diversity of gender.



This is best done locally, when people can relate to their own passions, so local engagement in planning and delivering the right local waterway experience is a real priority for me. And in terms of diversity, we must make the waterways relevant and fun for the young. They are the future of our society and they are the future of the waterways.