

## **MEMORANDUM TO THE BOARD**

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### **SCOTLAND REPORT – JANUARY 2011**

#### **Report by Director Scotland**

#### **1. PURPOSE**

- 1.1. This report is to update the Board on matters relating to Scotland and progress against key projects.

#### **2.0 RECOMMENDATION**

- 2.1 Board Members are recommended to note and comment on the information in this report.

#### **3.0 STRATEGY IN SCOTLAND**

- 3.1 Keith Brown MSP has been appointed as the new Scotland Minister for Transport and Infrastructure following the resignation of Stewart Stevenson. A meeting to give a briefing to the new Minister has been requested and a response is awaited.
- 3.2 Consultation on proposals for Scottish Water to develop its commercial activities and take on new functions was launched in December 2010 and copies have been circulated to Board members. A formal response from BW is being prepared by Director Scotland and will be circulated when available. As an appendix, the extract of the document which refers to the canals is provided. Also an outline of the proposed response is included for discussion.
- 3.3 The transition project for BWS is underway with two strands in place, external with Scottish Government and Defra working on the technical and legal aspects of the change and internal to ensure minimal disruption to the day to day operations of both BW and BWS until the new charity is established in April 2012 including a review of service level agreements.

#### **4.0 SCOTTISH SPENDING REVIEW**

- 4.1 The grant settlement for Scotland has been provisionally agreed at £10m, the budget will be confirmed by Scottish Parliament in March 2011. This is a £1.5m in year reduction with an anticipated 3% efficiency target to be met as well. Discussions are underway with Chief Executive of Transport Scotland David Middleton with a view to increasing our grant to enable some contingency in the Scotland plan. A plan of action including reduction in overhead costs (flexible working and redundancy), reduction in seasonal workforce and reduced service levels is being developed in parallel with BW at a group level.

#### **5.0 HELIX**

- 5.1 BWS's Head of Operations, David Lamont has stepped in as Interim Chief Executive this will be for approximately 6 months and is working well. With the canal and kelpies in their final design stage the focus is currently on demonstrating that the Helix is a sustainable tourist destination.

## **6.0 THE FALKIRK WHEEL**

- 6.1 The Falkirk Wheel was particularly affected by the severe weather conditions in December with the wheel itself being inoperable from 27<sup>th</sup> November. This resulted in all boat trips being cancelled through our peak period in the run up to Christmas and through the festive period. A contingency plan for an 'alternative experience' was implemented and well received however this still resulted in only 35% of planned activity resulting in a forecast loss of £0.1m compared to the planned break even position.

## **7.0 PARTNERSHIP WORKING**

### **7.1 Freight – Caledonian Canal**

Great Glen Shipping (GGS) commenced freight operations on the Caledonian Canal with the first passage of m.v. Kanutta on 18<sup>th</sup> October 2010 and her last passage before closure (due to ice accumulation) on 1<sup>st</sup> December. During that 6 week period, 'Kanutta' made 13 single transits of the canal and conveyed 2,700 tonnes of timber which is equivalent to 215 lorry journeys and saved c. 14,000 lorry miles.

Operations were considered a success with transits of the canal taking 1 ½ to 2 days, GGS have advised their intention to continue the carriage of timber and other occasional cargoes on the canal, post completion of the trial at the end of April 2011.

## **8.0 COMMERCIAL ACTIVITY**

### **8.1 Metropolitan Glasgow Strategic Drainage Group**

Further testing of the surface water model has been undertaken and we now believe that the Forth and Clyde canal can become a key asset in managing surface water runoff in the North Glasgow Area. The canal has significant capacity to accept runoff from up to the proposed 100ha of development land due to be developed over the next 20 years. It may also be possible that we can help reduce the amount of SUDS that has to be provided as part of these developments. A final report is due mid Feb.

A site belonging to Diageo site is due to come to market this year and we will be closely monitoring any potential upside for BWS.

Progress is being made with Scottish Water in forming a joint venture to provide our first hydro scheme at the Crinan Canal. A costed proposal is due at Easter.

### **8.2 Edinburgh Canal Quarter**

Discussion continues with City of Edinburgh Council (CEC) regarding the Fountainbridge application. We are also working with CEC in respect of a new canal development strategy (due to complete June 2011). Part of this will include the formation of a new steering group which will include Ricardo Marini the design champion at Edinburgh City Council

### **8.3 Glasgow**

The legal arrangements for the Glasgow Sculpture Studio are underway with the studio opening expected in 12 months' time. Terms have also been agreed for the redevelopment of the adjacent Hancocks Warehouse to provide a West Beer micro brewery, visitor centre and floating café. A paper will be presented soon to SG in this respect.

The Canal Steering Group has also agreed to a revised water space strategy for Speirs Wharf with the provision of a substantial amount of residential moorings and floating homes. The commerciality of this is currently being assessed.

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## APPENDIX A – BUILD A HYDRO NATION CONSULTATION

Extract from the Scottish Government's Build a Hydro Nation Consultation, circulated to the Board via email on 15 December 2010.

### 5.3 Canals

Scotland has a 137 mile (220km) canal network consisting of the Caledonian, Crinan, Forth & Clyde, Union and Monkland canals. The canals are transit canals linking our east and west coasts, rather than forming a purely inland network as in England and Wales. Our canals are all of historical importance, and so are classed as Scheduled Ancient Monuments.

The renaissance of Scotland's canals got underway in the 1990s and was greatly assisted by devolution, which enabled the Scottish Government to provide sufficient grant-in-aid for the maintenance of the canals and to set a clear and comprehensive policy for their future.

The Forth & Clyde and Union canals, which had closed to navigation in the 1960s, were brought back to life through the Millennium Link project. The project made these waterways navigable once more, created the Falkirk Wheel, and proved a catalyst for regeneration. These canals are assets valued by their communities and the Falkirk Wheel is now a symbol of modern Scotland and a major tourist attraction. A 10 year works programme on the Caledonian Canal revitalised the waterway and ensured that it maintained its position as an economic driving force in the Highlands - the Great Glen is a major tourist destination. The canal is used by overseas yachts accessing our world-class west coast sailing waters. Similar work was undertaken on the Crinan canal which is also used by yachts accessing the west coast.

With the improvements to the canal infrastructure secured, activity is now underway to maximise their benefits to Scotland. Current major regeneration projects include the Helix (near Falkirk), as well as Speirs Wharf and Maryhill in Glasgow.

Today, the canals are managed by British Waterways Scotland, an operational unit of British Waterways. British Waterways was originally established by the Transport Acts of 1962 and 1968. British Waterways Scotland is funded by grant-in-aid from the Scottish Government and commercially generated income and is responsible for the maintenance and upkeep of the canal network, as well as a number of aqueducts, bridges, reservoirs and weirs. Their turnover is around £18 million a year.

In October 2010, the UK Government confirmed that it will transfer British Waterways' functions and assets, in England and Wales, to a new waterways charity with effect from 1 April 2012. Scottish Ministers are very aware of the valuable contribution that canals make to supporting Scotland's sustainable economic growth – through regeneration, tourism and healthy lifestyles – and have decided that Scotland's canals should remain in the public sector.

This decision provides us with an opportunity to consider what structure within the public sector delivers greatest value for Scotland. Scottish Water manages considerable water related assets and has extensive framework contracts with surveyors and civil construction firms. British Waterways Scotland manages similar assets and has wide experience in regeneration and the exploitation of cross-cutting benefits. Likewise, Caledonian Maritime Assets Limited manages water-related assets in terms of piers and harbours. How can Scottish Water work together with British Waterways Scotland and Caledonian Maritime Assets Limited to achieve additional public benefit from all our water-related infrastructure, both inland and maritime?

#### Consultation Question:

6(a). What opportunities are there for creating additional public benefit from Scotland's water infrastructure, both inland and maritime?

6(b). What role could Scottish Water play?

The response is proposed to follow and expand on these lines.

- BW supports the concept of the Hydro Nation for Scotland and can see many positive benefits
- The canals must/could/should play a significant role in this agenda

- Benefits could range from
  - Major efficiencies in asset management
  - Access to financial resources not currently available for long term maintenance
  - Integrated approach to flood mitigation, water sales, hydro scheme development and urban heating and cooling
- BWS has an unique wide/cross cutting agenda from a regeneration/property development, leisure and tourism and community development which is highly developed. These attributes/skills must not be lost and therefore BW would favour some form of subsidiarisation rather than a fully integrated model.