

DAVID MACBRAYNE LIMITED

**MINUTES OF BOARD MEETING HELD AT THE FERRY TERMINAL, GOUROCK
ON WEDNESDAY 18 JUNE 2014 AT 10AM**

Present: Mr D C McGibbon, Chairman
Mr M Easton
Mr S Hagan
Ms P J D Stark
Mr J Stirling
Mr A V Tait
Mr M Dorchester
Mr R L Drummond

In attendance: Mr R Hadfield, Scottish Government (Assessor)
Mr S A Ure, Technical Director, CalMac Ferries Ltd
Ms C Roberts, HR Director, David MacBrayne HR (UK) Ltd
Mrs C Craig, Commercial Director, CalMac Ferries Ltd
Mr A Collier, Chief Risk Officer, CalMac Ferries Ltd
Captain Dale-Smith, Head of Marine, CalMac Ferries Ltd (part-time)
Ms P Morrison, Project Manager, CalMac Ferries Ltd (part-time)
Mr C P Paterson, Board Administrator

1. PRELIMINARIES

Welcome and Apologies for absence

Mr McGibbon extended a welcome to Mr Hadfield, Mr Ure, Ms Roberts, Mrs Craig and Mr Collier.

There were no apologies for absence.

Declarations of interest

There were no further declarations of interest, other than those previously made and known to all Directors.

2. MINUTES/MATTERS ARISING

Approve Minutes of Special Board Meetings held on 14 March 2014

It was agreed that Minutes for the Special Board meetings held on 14 March 2014 should be amended to more accurately reflect the Project approval process.

Mr Hadfield noted a point of procedure that as Scottish Government Assessor, he should have attended these meetings.

Approve Minutes of Special Board Meeting held on 16 April 2014

The Minutes for the Board Meeting held on 16 April 2014 were approved.

Matters arising

There were no matters arising.

3. CHAIRMAN'S REMARKS

[FOISA Status - Exemption under Section 30 (Prejudice to Effective Conduct of Public Affairs)]

Mr McGibbon noted that CMAL will imminently have a new Chairman appointed and that the Tripartite Meeting Chairman was yet to be appointed.

Mr McGibbon noted that CalMac Ferries was still working through the Loch Seaforth Charter Agreement.

Mr McGibbon referred to the Transport Awards dinner taking place tomorrow evening. Mr Dorchester indicated that CalMac Ferries had been awarded the Greenock Chamber of Commerce's 2014 Bee's Knees Award for Best Performing Business (25-plus employees) at the Awards Dinner on 6 June 2014.

Concluding his remarks, Mr McGibbon noted that Non-Executive Directors had been travelling out in the network and had also attended Project Management Board Meetings.

4. APPROVALS/POLICY MATTERS

Mr Drummond presented the paper requesting approval of new bank accounts. He noted that Lloyds Banking Group offered better rates than were being enjoyed presently. He offered to provide the Board with a note of the background which led to the decision to seek new account arrangements for both the Company and for CalMac Ferries.

Action 1: RLD

The Board approved the proposal for opening new bank accounts for the Company and CalMac Ferries.

5. GROUP REPORTS

5.1 Group CEO update

1. OPERATIONAL PERFORMANCE UPDATE

1.1 Safety & Environment

Mr Dorchester presented the report.

Mr Easton noted that the Wood Group of Aberdeen starts board meetings with a 'Safety Moment' with various examples of experiences being discussed. He proposed that David MacBrayne Group Board meetings should adopt a similar approach. Mr Dorchester noted that he was pressing for safety to always be a priority topic.

Mr Dorchester noted that since the last CalMac Ferries Board meeting on 14 May 2014 there had been 1 RIDDOR report and since the last Company Board meeting there had been two.

Mr Dorchester referred to the Risk Workshop of 22 April and noted that the quality of discussion had been very high.

Mr Dorchester was pleased to note that the professional relationship with the MCA has been significantly improving.

1.2 Key Business Issues

1.2.1 Mr Dorchester noted that the forecast date for delivery of the MV Loch Seaforth might slip. He also noted that Ullapool Harbour Trust was being pressed to consider upgrading the linkspan during the winter period of 2014/15 so that any operational difficulties could be absorbed over the next 12 months.

1.2.8 Mr Dorchester noted that due to some technical issues the MV Lochinvar was currently being operated in diesel and not hybrid mode. This was due to battery control problems.

1.2.11 The Board discussed the required works at Wemyss Bay. Various aspects of the works were examined such as re-routing the service, other vessel availability, the importance of fully exploring operational parameters, difficulties for the Contractor due to the site footprint and the timetable implications for Dunoon and Rothesay.

1.3 Customer Care

1.3.1.1 Mr Dorchester noted that an annual report was complete and would be distributed to the Board. Mrs Craig noted that it included a large summary on what passengers' feedback, such as the popularity of the food offering, the high quality of face-to-face staff and one or two impaired mobility problems. Mrs Craig also noted that Mrs Sumner was formulating information gathering and that a PR firm had been engaged to conduct a 'voice of the customer' exercise.

1.4 Our people

1.4.3 Mr Dorchester noted that three employees, Angela Herd, Kennacraig Port Manager, Colin McCourt, Brodick Port Manager, Sandra Sturgeon, Ardrossan Port Manager, had been put forward for recognition at the Scottish Transport Awards Dinner on 19 June.

1.4.4 Mr Dorchester noted that Ms Roberts had spoken at the Conference of Peripheral Maritime Regions in Inverness, addressing how European Policy affects CalMac Ferries.

2. STRATEGIC DEVELOPMENTS

Mr McGibbon noted that the Corporate Plan was still being developed and will be brought to Transport Scotland when complete.

Mr Dorchester outlined two potential proposals on which he would circulate a note to the Board.

3. COMMUNICATIONS

3.2 Mr Hagan noted that during one of his network visits crew were sharing thoughts on PPE and TTs and that he had discussed safety issues with Masters.

Following a Board discussion, Mrs Craig undertook to provide a 'current issues' brief to the Board to keep members informed for informal discussions with passengers.

Action 2: CC

The Board discussed the advantages of talking to passengers when travelling.

4. OUTLOOK

5. Mr McGibbon noted that a discussion should take place, after the Board meeting, about the forthcoming CMAL meeting on 28 July. This should address how to improve the relationship with CMAL as well as examining current briefs. Mr Dorchester agreed to provide a note on this to Mr Hadfield.

5.2 Group Finance update

Mr Drummond presented the report.

2. Key Group Financial Numbers

Mr Drummond noted that the two months ended May management report would be issued in the next couple of days.

Mr Drummond noted that Farebox revenues had performed much better than anticipated.

[FOISA Status - Exemption under Section 30 (Prejudice to Effective Conduct of Public Affairs)]

3. Group results update

Mr Drummond noted that the Annual report and Accounts were well progressed and included a new section which set out a Ministerial Objectives comparison as well as other positive achievements.

5. CHFS Contract Year 7 Revised Base Case update

Mr Drummond noted that if CalMac Ferries continues to perform above plan, it will result in a significant clawback sum for Transport Scotland.

6. Gourock Dunoon Contract year 3 update

Mr Drummond noted that there was one month left of Argyll Ferries CY3, which was performing above expectations, mainly due to the control of costs.

6. PROGRESS FOCUS

6.4 Marketing ROI

Mrs Craig gave a presentation on the topic.

The presentation addressed an overview of the Marketing & Commercial ROI, including an update and year-on-year comparison, and Commercial purpose and objectives.

Mrs Craig explained the structure of her department, noting her Direct Reports. She drew attention to the key activities of the department.

Commenting on the Overseas Web bookings, Mrs Craig noted that net promoter scores were to be concentrated on.

Revenue from UK Web bookings and Coach and Carryings Trends were displayed. Mrs Craig noted that the coach market fluctuated regularly and, while work would be done to generate carryings, there had to be a balance between the amount of increased traffic and not overbooking busy sailings.

The Coach and CV bookings slide generated a discussion by the Board about no-shows and how to minimise them.

Mrs Craig noted that web interactions showed increasing numbers.

Mrs Craig noted that VisitScotland ticket sales showed an increase.

Mrs Craig noted that days Out sales showed an increase and that there had been a refresh of the offering available.

Mrs Craig also commented on social media and highlighted page view comparisons with other operators.

Noting the success of the Big April Adventure, Mrs Craig referred to the extension of the promotion dates.

Mrs Craig noted the number of awards that the Company had been submitted for and the outcomes.

Mr Dorchester commented that it was important to set targets and attain awards that showcased achievements.

Mrs Craig noted that on-board retail spend had increased.

Mrs Craig noted the success of the new Kids Club and CalMac Culture promotions.

Concluding her remarks, Mrs Craig referred to future developments, measures and reorganisation of the Department.

Mr McGibbon thanked Mrs Craig for her presentation.

6.1 MV Loch Seaforth Project Plan

Captain Dale-Smith and Ms Morrison joined the meeting.

Ms Morrison gave a presentation on the topic.

Ms Morrison noted that the plan was on target to be delivered for 8 September, the anticipated vessel delivery date. She noted that the plan addressed crew provision and training, vessel equipment, IT requirements, freight requirements, delivery shakedown and vessel certification.

Ms Morrison noted the current position of these sections:

- all crew had been recruited and training identified
- all ancillary equipment had been identified and was ready to ship
- IT cabling was to be tested and Wi-Fi to be installed
- freight requirements had resulted in the two Tugmasters to be sourced with procedures to be written
- a proposed shakedown timetable was shown
- there were some issues with external dependencies such as the vessel build date, Ullapool upgrade and Stornoway upgrade; Ms Morrison explained the risks behind these dependencies.

Ms Morrison noted that issues impacting vessel delivery and mitigation were the Yard delays resulting in shakedown compression and the Yard schedule being restricted which made it difficult to plan for third party deliverables.

Ms Morrison noted that risks impacting vessel delivery and mitigation were yard delays, resulting in delays to new service introduction, and delay in Stornoway's upgrade, impacting on berthing trials as well as being unable to berth.

Mr Dorchester noted that there should be a mechanism in place to allow CMAL to report on delay probability. He noted there were weekly discussions with Transport Scotland on progress.

Mr McGibbon thanked Ms Morrison and Captain Dale-Smith for the presentation.

Ms Morrison left the meeting.

Mr Dorchester confirmed that the MV Clipper Ranger would be chartered until the end of November.

Captain Dale-Smith left the meeting.

[FOISA Status - Exemption under Section 30 (Prejudice to Effective Conduct of Public Affairs)]

7. ITEMS FOR NOTING

7.1 Audit & Risk Committee meeting 4 June 2014

Ms Stark noted that Ms Milligan had given a presentation at the meeting on the work of the PMO and had shown some excellent work on an Audit Report. A payroll rostering review had been conducted. It was clear that the new Terms & Conditions were not universally understood. A programme had been drawn up on Internal Audit and reviewed by the Committee.

The Board noted the Minutes of the Audit & Risk Committee meeting of 4 June 2014.

7.2 Safety Committee meeting 4 June 2014

Mr Stirling noted that pressure on keeping a high profile in Safety was being kept up. He noted that his attendance at a Wood Group meeting had been very productive.

Referring to vessel timetables, Mr Stirling noted the pressure on crew and vessels to provide services and offered that turnaround times and timetables could be examined.

The Board noted the Minutes of the Safety Committee meeting of 4 June 2014.

8. ANY OTHER BUSINESS

8.1 Management structure

Mr Dorchester noted that the paper would be provided to the Board in the following week.

[FOISA Status - Exemption under Section 30 (Prejudice to Effective Conduct of Public Affairs)]

8.2 PMO update

Mr Drummond noted that he would send the update to the Board in hard copy.

Miscellaneous

Mr Dorchester noted that Princess Anne would be visiting the Seaman's Mission in Stornoway at the beginning of September and had expressed an interest in visiting the MV Loch Seaforth, which clearly depended upon its availability.

Mr Hadfield noted that the Minister was also interested in visiting the vessel, but his diary might present a problem with doing so.

Mr Hadfield also noted that the CMAL Harbour Access Agreement by Argyll Ferries at Gourock was a matter to be resolved.

Mr Hadfield noted that the Framework Agreement was progressing well with Mr Drummond.

Mr Easton noted that the Minister might be interested in observing a safety drill on the MV Caledonian Isles as it involved the Royal Marines.

8. NEXT MEETING

Wednesday 1 October 2014 – at 10 a.m. in the Boardroom, Ferry Terminal Building, Gourock. **(Post-meeting note: venue is now UK Chamber of Shipping offices, 30 Park Street, London, SE1 9EQ)**

DAVID MACBRAYNE LIMITED
BOARD MEETING ACTION POINTS

Board Meeting	Topic	Action No.	Action	Responsibility
18/06/14	<u>APPROVALS/POLICY MATTERS</u>	1	To provide the Board with a note of the background which led to the decision to seek new account arrangements for both the Company and for CalMac Ferries	RLD
18/06/14	<u>COMMUNICATIONS</u>	2	To provide a 'current issues' brief to the Board to keep members informed for informal discussions with passengers	CC