

DAVID MACBRAYNE LIMITED

**MINUTES OF BOARD MEETING HELD AT THE FERRY TERMINAL, GOUROCK
ON WEDNESDAY 16 APRIL 2014 AT 10AM**

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

In attendance: Mr R Hadfield, Scottish Government (Assessor)
Ms C Roberts, HR Director, David MacBrayne HR (UK) Ltd
Mr A Collier, Chief Risk Officer, CalMac Ferries Ltd
Mr G Harris, Senior Technical Manager, CalMac Ferries Ltd
Mr C P Paterson, Board Administrator

1. PRELIMINARIES

Welcome and Apologies for absence

Mr McGibbon extended a welcome to Mr Tait in his capacity as having joined the Company as Non-Executive Director. Mr McGibbon also welcomed Mr Hadfield, Ms Roberts, Mr Collier and Mr Harris.

Apologies for absence were received from Mr M Easton and Mr R L Drummond.

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 Board Meeting held on 29 January 2014

Mr Stirling requested a clarification to p6, 7.1 Group Safety Committee. He noted that he had sought and received the Board's approval of the Group Safety Committee's planned objective of achieving an effective safety culture.

Subject to the amendment, the Minutes of the Board Meeting held on 29 January 2014 were approved.

Matters arising

There were no matters arising.

Action point 1

Mr Dorchester noted that Mr Hagan had attended the Scottish Transport Awards event. He asked the Board to note forthcoming events and consider if any more should be added to the diary.

3. CHAIRMAN'S REMARKS

Mr McGibbon referred to the launch ceremony of MV Loch Seaforth at Flensburg, Germany, on 21 March. He noted that there was an exemplary turnout of ships' staff in their full uniforms.

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

Mr McGibbon noted that a meeting with CMAL would be held in the afternoon to meet the new Non-Executive Directors.

Mr McGibbon noted that there would be a Special Board Meeting on 22 April to further consider the proposed Corporate Plan.

Mr McGibbon referred to the Ferry Shipping Conference (formerly Shippax) that he, Mr Dorchester and Mr Drummond had attended last week. It had proved to be very informative and it was evident that there was a lot of shipping infrastructure development occurring in Europe. He also noted that there LNG was a much discussed topic for fuelling vessels.

Mr Dorchester noted that European countries were developing ports ahead of vessels being introduced.

Mr McGibbon noted that the bid process for Gourock/Dunoon route was on the horizon. Mr Hadfield noted that long term issues were being considered and that he would be meeting with the Deputy First Minister, Nicola Sturgeon, MSP, to discuss the comprehensive advice submitted by the Company. The procurement of new vessels would also be discussed.

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

Mr McGibbon congratulated Mr Dorchester on receiving the Public Sector Director Award in the 2014 Institute of Directors Scotland Director of the Year Awards event.

4. GROUP REPORTS

4.1 Group CEO update

1. OPERATIONAL PERFORMANCE UPDATE

1.1 Safety & Environment

Mr Dorchester presented the report.

He noted some key points, highlighting that the 1.1.1.1 and 1.1.1.2 reports in respect of the MV Coruisk and MV Hebridean Isles' incidents had nearly been completed. He also referred to item 1.1.1.5 involving the MV Isle of Mull near miss.

The Board discussed the incidents and the safety aspects that attached to them.

Mr Dorchester noted that there had been no fatalities, no threats of prosecution or enforcement notices and no food safety incidents. One RIDDOR report had been submitted. He noted the number of MAIB reports and that the Company would provide reports to the MAIB on incidents that were subject to investigation.

Mr Dorchester noted that a Safety First campaign was underway and that an 'Alert' newspaper was being created for circulation to staff.

The Board returned to item 1.1.1.6 involving MV Loch Shira striking a dock wall and the incident was discussed.

1.2 Key Business Issues

1.2.6 Mr Dorchester noted that the Commonwealth Games might result in late sailings being required and that this was being considered and planned for.

1.2.10 Mr Dorchester noted that the Cabinet Secretary for Education and Lifelong Learning, Michael Russell, MSP and member for Argyll and Bute had commented on the Bute service as he had noted the Arran service had attracted RET status and the repair schedule to Wemyss Bay pier possibly extending to 10 months, resulting in timetable changes. Works were also to take place on the building structure.

1.2.15 Mr Dorchester noted that the number of FoI requests about the Gourock Dunoon route was increasing. The Board discussed the matter.

1.3 Customer Care

1.3.12 Mr Dorchester noted that a new team would soon be in place at Wemyss Bay which would improve operational efficiency.

The Board discussed the reasons behind increases and decreases of targets.

1.4 Our people

1.4.2 Ms Roberts believed that the Company had clearly demonstrated why the role of Port Assistant had been introduced historically in the Largs equal pay tribunal. There had been a previous argument over why it had been created. Mr Dorchester noted that Ms Roberts had attended for a period of 4 – 5 hours and other managers had also attended.

1.4.3 Mr Dorchester welcomed Mr Tait in his appointment as a Non-Executive Director.

1.5 Marketing and Commercial

Mr Dorchester noted that the attendance at the Expo exhibition had been very successful and that the VisitScotland partnership was beginning to yield benefits.

1.6 Competitors and Regulation

1.6.8 Mr Dorchester noted that the Rathlin Island Ferry Service tender was due but the Company had decided against submitting a bid.

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

The Board discussed the Business Development Plan and how it should expand on the capture of such opportunities.

2. STRATEGIC DEVELOPMENTS

2.4 Mr Dorchester noted that the ScotRail Franchise ITT had attracted a number of potential bidders who had also approached the Company with proposals to work in partnership in regard to ticketing and marketing.

2.9 Mr Dorchester noted that a swift response was now needed from Transport Scotland if a new vessel was to be acquired for the 2014/15 winter period on the Gourock-Dunoon route.

3. COMMUNICATIONS

3.5 Mr Dorchester noted that the Cabinet Secretary for Finance, Employment and Sustainable Growth, John Swinney, MSP, would be making a tannoy announcement on board MV Hebrides to celebrate the route's 50th anniversary as the first car ferry route in the Western Isles.

4. OUTLOOK

5. Mr Dorchester noted that a strategy for pay negotiations would be drawn up. Mr Hadfield noted that the Scottish Government was keen on pay rise restraint.

The Board discussed pay strategies and relationships with Unions. Mr Dorchester noted that the strategy would be brought to the Board for approval in due course.

11. Mr Dorchester noted that work was being done in conjunction with Mr Hadfield to produce a draft Framework document.

5.2 Group Finance update

Mr Dorchester presented the report.

2. Key Group Financial Numbers

Mr Dorchester noted that a key highlight was Farebox revenue being 2% ahead of target. He noted that adverse variances included the costs of moving crew about due to weather disruptions.

The Board discussed additional costs and how to capture them in relation to bad weather disruptions.

Mr Dorchester also highlighted that the CHFS contract had yielded **[FOISA Status - Exemption under Section 30 (Prejudice to Effective Conduct of Public Affairs)]** profit.

3. Group Operating Profit/Loss forecast

Mr Dorchester highlighted that the Group had paid a dividend to transport Scotland of £6M in March 2014.

5. CHFS Contract Year 6 update

Mr Dorchester noted that the final claw back had been agreed with Transport Scotland at a level of **[FOISA Status - Exemption under Section 30 (Prejudice to Effective Conduct of Public Affairs)]**.

7. Gourock Dunoon Contract year 3 update

Mr Dorchester noted that the Company was now not exposed to an operating loss which would potentially have caused the Company Board some difficulties.

The Board had a short discussion about the dividend payment and noted that Mr Drummond had circulated Management Accounts which had been very informative.

5. PROGRESS FOCUS

5.1 Future pension Provision

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

5.3 Transformation programme overview

Mr Dorchester asked the Board to take to the paper as read. He asked for feedback. Ms Stark indicated that she had attended a Project management Board meeting and had noted clarity between sponsors and Directors. She had felt the papers were excellent and informative and that it been worthwhile attending.

5.2 CHFS Strategic Discussion (tabled)

Mr Dorchester noted that the document was set at a high level to stimulate ideas and that Mr Drummond would be setting up a strategic discussion meeting for the Board.

6. ITEMS FOR NOTING

6.1 Safety Committee meeting 26 March 2014

Mr Stirling noted that the Minutes would be circulated when complete.

6.2 Audit & Risk Committee meeting 26 March 2014

The Board noted the Minutes of the Audit & Risk Committee meeting of 26 March 2014.

7. ANY OTHER BUSINESS

Mr Collier thanked Mr Hadfield for his participation in having Project Valiant approved by Transport Scotland.

8. NEXT MEETING

Wednesday 18 June 2014 – at 10 a.m. in the Boardroom, Ferry Terminal Building, Gourock.