

DAVID MACBRAYNE LIMITED

**MINUTES OF BOARD MEETING HELD AT SCOTTISH GOVERNMENT OFFICES, ATLANTIC QUAY,
BROOMIELAW, GLASGOW, AT 9 A.M. ON WEDNESDAY 22 APRIL 2015**

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 Drummond

In attendance: Mr R Hadfield, Scottish Government (Assessor)
Mrs C Craig, Commercial Director, CalMac Ferries Ltd
Ms C Roberts, HR Director, David MacBrayne HR (UK) Ltd
Mr C P Paterson, Board Administrator

1. PRELIMINARIES

Welcome

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

Apologies for absence

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

Mr Easton noted that an earlier distribution of Board Meeting Papers would be beneficial.

Approve Minutes of Board Meeting held on 4 February 2015

The Minutes for the Board Meeting held on 4 February 2015 were approved.

4 February 2015 Action Points

Both Action Points were noted to have been addressed.

3. CHAIRMAN'S REMARKS

Mr McGibbon noted that prior to the meeting, the Board had met with the Minister for Transport and Islands, Derek Mackay, MSP.

The Board reviewed the meeting, noting the benefits of directly discussing matters with the Minister. The Board felt that the meeting had been very constructive.

4. GROUP REPORTS

4.1 Group CEO update

Mr Drummond presented the report and noted that he would highlight the main points of interest.

1. Operational Performance Update

1.1 Safety & Environment

Mr Drummond noted that the safety statistics showed a slight increase of 1% over last year's total and that it was due to more incidents being properly reported.

1.2 Key Business Issues

Corporate plan

Mr Drummond noted that key priorities were being followed up and a second session had been arranged. The results of the process would be brought to the Board and it was intended to present this at the June Board Meeting.

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

Stornoway task force

Mr Drummond noted that the Minister and Mr Hadfield had been kept up to date with progress in meetings. He commended Mr Collier's work towards resolving the issues.

Mr Dorchester noted the challenge in managing the hauliers and the Western Isles Island Council through the process towards the introduction of the new vessel.

Trades Unions

The Board discussed the current position held by Unions regarding CHFS and the protection of terms and conditions, the possibility of industrial action and the Company's strategy for managing disruption.

1.4 Our people

IS

Mr Drummond noted that Ms Clements had been appointed as IS director and Ms Mercury had been appointed as Enterprise Information Manager.

Technical

Mr Drummond noted that Mr Ure, Technical Director, had resigned.

HR

The updated Drug and Alcohol Policy and Procedure had been issued.

1.5 Technical and Fleet

Fleet reliability

Mr Drummond noted that 99.6% statistic was a very strong performance. Mr Dorchester noted the challenges in obtaining technical support from suppliers, especially as some of the global suppliers do not regard CalMac Ferries as a significant customer. Some work was to be done in order to consider alternative technical solutions.

2. Strategic Developments

Mr Drummond clarified that the Marchwood contract had been initialled, but due to the standstill period, the contract was not yet fully signed off.

3. Commercial

2015 TV campaign

Mrs Craig noted that the summer 2015 TV Campaign filming was now complete and the advertisement would be aired in due course.

Awards

Mrs Craig noted that CalMac Ferries had been nominated this year for two awards in Greenock Chamber of Commerce's Bees Knees Awards 2015 – 'Best Large Performing Business' and 'Excellence in Communications and Marketing'.

Website

Mrs Craig noted that CalMac Ferries' website visits had increased by 25% over last year and was noted that there were number of identifiable factors such as campaigns, planned disruptions notices and the 2015 summer timetable.

4. Other

Mr Drummond noted that the Fraser of Allander Economic and Social Impact of CalMac Ferries Ltd on Scotland Report had produced some very interesting statistics on how important to the community the operation of the Company's ferry services was.

5. Outlook

5. Public consultation events

Mrs Craig noted that a Briefing Pack would be produced for Board Members which would contain key messages for emphasising when Members were out in communities. It was noted that a campaign of 22 Public Meetings would be held, to offer communities the opportunity to define how they see ferry services in the future.

Mr Hadfield noted that he would consider attending some of the Public Meetings.

The Board discussed the benefits of the Public Meetings. Additionally, there was a discussion on the role of CMAL in the CHFS Bid.

4.2 Group Finance update

Mr Drummond presented his report.

2. Key Group Financial Numbers to 28 February 2015

Mr Drummond noted that Farebox revenue was positive to plan by **[FOISA Status - Exemption under Section 33 (Commercial Interests and the Economy)]**. This was a significant difference compared to plan, due to increased carryings at Easter, RET introduction on the Arran route and increased traffic in the Inner Isles and Western Isles.

3. DML Draft Financial Year 2014/2015 result

Mr Drummond noted that the draft results would be dependent on finalising various project costs

5. CHFS Contract Year 8 update

Mr Drummond noted that the Revised Base Case had now been agreed with Transport Scotland. He noted that CalMac Ferries was not operating the original Public service Contract due to additional demands.

6. Gourock Dunoon Contract year 4 update

Mr Drummond noted that revenue had proved to be better than expected. He noted that a Contract Performance note on Argyll Ferries from Transport Scotland had scored the service excellent in 8 sections and good in one. He noted that the charter of MV Coruisk and the use of buses had increased service reliability.

6. BUSINESS DEVELOPMENT

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

7. ANY OTHER BUSINESS

Mr Stirling requested that abbreviations in papers provided should be expanded to full title.

Mr Stirling requested clarification on long-term sick cases. Ms Roberts set out the HR strategy for managing such cases, noting that most cases were musculoskeletal issues.

Mr Easton enquired as to the potential for other business opportunities. Mr Dorchester outlined some opportunities of possible interest.

Mr Hagan requested a list of diary dates which Board Members would find of interest. Mrs Craig noted that she would circulate a list of events and encouraged Board Members to consider which events they could attend.

Mr Dorchester asked if the Board would consider a different approach to Board Meetings. As an example, he suggested reviewing papers in an afternoon, with a strategy review the following day. He noted the number of Board meetings in a calendar year and suggested moving to six (but over two days).

Ms Stark suggested that a meeting in one month could be about operational matters and in the following month, strategy could be reviewed.

Mr McGibbon noted that the Non-Executive Directors would consider the meetings structure and bring suggestions back to the Board. It was agreed that Mr McGibbon would meet with Ms Stark and Mr Tait with a view to proposing the way forward for future meetings.

Mr McGibbon referred to a letter to CMAL and CalMac Ferries from Mr Grenville Johnson, Chairman of the CalMac Pension Fund, which drew attention to the potential Fund deficit. The triennial valuation takes place this year. The Minister is aware of the deficit. A plan to address the deficit would require to be prepared.

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

9. NEXT MEETING

Wednesday, 24 June 2015, at Gourock.

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Chairman