

**DAVID MACBRAYNE LIMITED**

**MINUTES OF BOARD MEETING HELD AT THE FERRY TERMINAL, STORNOWAY,  
AT 1.30 P.M. ON WEDNESDAY 30 SEPTEMBER 2015**

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

In attendance: Mr R Hadfield, Scottish Government (Assessor)  
Mr A Collier, Operations Director, CalMac Ferries Ltd  
Ms C Roberts, HR Director, David MacBrayne HR (UK) Ltd  
Mr P Breslin, Technical Director (Interim), CalMac Ferries Ltd  
Mr B Fulton, Bid Team Service Delivery Lead  
Mr C P Paterson, Board Administrator

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**1. PRELIMINARIES**

1.1 Safety moment

Mr McGibbon noted the importance of crowd control in a busy environment.

Welcome

Mr McGibbon extended a welcome to Mr Hadfield, Mr Collier, Ms Roberts, Mr Breslin and Mr Fulton.

Apologies for absence

There was an apology for absence from Mr Stirling and Mr Hagan.

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 24 June 2015

1.6 Competitors and regulation

Mr Collier noted that he would review weather reporting information to obtain clarification on data sources.

Action points

Ms Stark noted that feedback from the Executive Team had been very helpful. Mr McGibbon, Ms Stark and Mr Tait had reviewed options. Mr Tait noted that he would arrange a meeting with Mr Dorchester to discuss unified papers and report templates. Ms Stark and Mr Tait would report to the Board with recommendations.

The Minutes for the Board Meeting held on 24 June 2015 were approved.

**3. CHAIRMAN'S REMARKS**

Mr McGibbon thanked Mr Drummond and the Bid Team for the work on the CHFS2 ITT submission. Mr Dorchester noted that it was a good submission, well-constructed and written, with content, depth and style. The business had offered good support.

Mr McGibbon noted that Mr Dorchester would be discussing the Pension position elsewhere. He also noted that the Trustees would be meeting in October and would be reviewing the Triennial Valuation position.

Mr McGibbon also noted that the necessity for an independent risk assessment of the Pension Fund covenant strength had been identified. A report had been produced by Grant Thornton UK LLP, which had, in the main, supported the Trustees' approach to the matter.

Mr Dorchester noted that the CNES Department of Technical Services' Director, Mr Iain Mackinnon, had indicated that the CNES was very pleased with the proposed 2016 Summer Timetable and the recent network visits made by company senior management.

The Board discussed the 2016 Summer Timetable.

Mr Dorchester noted that he and Mr Collier had met with the Chairman of the Outer Hebrides Tourism Association, Mr Ian Fordham, and one of its Executive Directors, Mr Donald Macarthur. A topic of conversation was the construction of a high level strategic approach to the economy of the Western Isles and it would need to involve the CNES, haulage operators and tourism organisations. He noted that the various organisations which would have input to the strategy have differing commercial priorities. The Board discussed the matter, noting the level of interest from all parties and that input to the development of any strategy should be treated with confidentiality.

#### **4. GROUP REPORTS**

##### **4.1 GROUP CEO UPDATE**

Mr Dorchester presented the report and indicated that he would highlight the main points of interest.

##### **1. Operational Performance Update**

###### **1.1 Safety & Environment**

Mr Dorchester noted that, in respect of three particular incidents, there was a challenge created by some safety aspects, which required them to be analysed and the effects managed.

To improve timeous reporting to Board members, the details of any MAIB or RIDDOR-reportable incidents will be circulated as soon as they are known.

###### **1.2 Operations**

The Safety Induction completion rate requires to be improved and, as there are some technical difficulties with connectivity, it is being tackled by the distribution of pre-loaded laptops throughout the network, both to ship and shore locations.

###### **1.3 Pensions**

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

###### **1.4 CHFS2 Bid**

Mr Drummond summarised the challenges of progress through the CHFS2 Bid process and how to understand the client's needs.

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

Mr Tait left the meeting.

### **1.5 Timetables**

Mr Dorchester noted the difficulties raised by the early announcement of proposed changes to the 2015 Summer Timetable. The timetable is available for consultation with local communities and all input needs to be obtained before the preferred conclusion is reached.

It was noted that Transport Scotland had requested that a charter of a Seatruck Ferries vessel be considered for operation on the Ullapool Stornoway route during the winter 2015/2016 period.

The Company would have to carefully review the request, assessing route demand and taking into account Union interest in the vessel owner's crew's terms and conditions.

### **1.6 New Vessels**

Mr Dorchester anticipated the launch of the third hybrid vessel, in December 2015. The Board considered the forthcoming design stages of the 100M vessels and the Company's input on crucial aspects, such as vessel speed.

### **1.7 Wemyss Bay**

Mr Dorchester noted that the Gourock to Rothesay diverted route would be commencing on 1 October 2015, observing that Gourock Port still needed some minor work to reach completion. The Board discussed the imminent start of the diverted service.

### **1.8 Arran**

Mr Dorchester highlighted some issues that would arise as a result of the Brodick new building project budget significantly increasing. He noted that the delay to the upgrade of the Colintraive and Rhubodach slipways would continue to attract complaints from passengers.

#### *Additional comments*

Mr Dorchester noted that customer approval rates over recent months had exceeded complaints, in spite of the period of Industrial Action.

Mr Dorchester noted that David MacBrayne Ltd is the first transport group in the country to sign up for the government's Scottish Business Pledge.

Mr Dorchester noted that one of the Senior Masters had approached him, asking how Senior Masters can become more involved in the Company's business and strategies and how crew can help the Company win the CHFS2 Bid.

### **3.0 Outlook**

Mr Dorchester took the Board through key challenges that will be focused on, which included the following items:-

#### *Stakeholder meetings*

Mr Dorchester noted that stakeholder meetings would be arranged, with a view to creating a high-level stakeholder plan.

#### *Marchwood*

Mr Dorchester noted that there was a 6-month window to prepare planned mobilisation, once the formal announcement of the contract award was made. The Board noted the challenge and discussed resource.

## **4.2 GROUP FINANCE UPDATE**

Mr Drummond presented the report.

### 2. Key Group Financial Numbers to 31 March 2015

Mr Drummond noted that the P&L Account showed a positive variance to plan. Significant items included an underspend in training, in project Titan, Bid costs and a differential in the subsidy. In budgetary terms it represented an actual loss of **[FOISA Status - Exemption under Section 33 (Commercial Interests and the Economy)]** against a planned **[FOISA Status - Exemption under Section 33 (Commercial Interests and the Economy)]**.

### Other matters

### Annual subsidy

Mr Drummond noted that an increase in the annual subsidy for 2015/2016 to **[FOISA Status - Exemption under Section 33 (Commercial Interests and the Economy)]** was due, in part, to the success of the RET scheme, the implementation of MV Loch Seaforth and vessel fleet upgrades. Three years ago, the subsidy was **[FOISA Status - Exemption under Section 33 (Commercial Interests and the Economy)]**.

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

## **4.3 PORTFOLIO REPORT**

### Titan

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

Mr Drummond also listed a number of options that could be explored with the current Compass System contractor, as the current Compass system was able to offer some of the Titan project functionality. He noted, however, that business cases for any of the options had not yet been developed.

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

### Valiant

Mr Collier noted that the project was facing some critical stages. He set out current key factors and the actions that had been determined which would resolve delays.

Mr Dorchester noted that he had discussed the matter with the contractor and that BT had been invited to attend a meeting.

Mr Hadfield left the meeting.

## **5. BUSINESS DEVELOPMENT**

### **CHFS2 UPDATE**

Mr Drummond noted that a number of points had already been covered within the meeting. Mr Dorchester asked if feedback from Transport Scotland had been received in respect of the ITT submission. Mr Drummond indicated that there should be a response from Transport Scotland in about ten days. Although it would be a non-scoring response, any potentially non-compliant area of the submission would be highlighted.

Mr Hadfield returned to the meeting.

## **6. ANY OTHER BUSINESS**

### **6.1 Key Risks over the next 6 months**

The Board noted the Key Risks paper.

The Board and Mr Hadfield also discussed potential changes in the political landscape. It was noted that budgetary pressure may also be a substantial element of future planning.

Mr Easton referred to a recent PwC Risk Workshop. He had noted some key factors, such as any significant safety-related issue should always be rated higher than an operational issue. He also noted that, in respect of Collective Bargaining, it was important to get consistency in responses from the Unions.

The Board discussed Collective Bargaining, noting a conclusion would give staff additional confidence in the use of crew agreements and that it would also assist management to support them.

Mr Tait returned to the meeting.

### **6.2 Future structure of Board Meetings**

The Board noted that the matter had already been discussed elsewhere.

### **6.3 Proposed Board and Board Committee 2016 calendar**

The Board noted the proposed meeting dates for 2016.

## **7. ITEMS FOR NOTING / UPDATE**

Mr McGibbon proposed that the documents should be taken as read and any comment raised as necessary.

- 7.1 Group Safety Committee Meeting Minutes 10 July 2015
- 7.2 Remuneration Committee Meeting Minutes for 19 August 2015 have been issued to Committee members
- 7.3 Group Risk Register
- 7.4 Appendices (supporting papers for CEO Report) - SES, Operations, HR, Commercial, Technical.

Mr Dorchester noted that he had held discussions in respect of harbour operations with Argyll & Bute Council and the Chief Executive Officer of CMAL, Mr Tom Docherty, to gain an understanding of aspirations and traffic management plans.

Mr Collier noted that Mr Guy Dale-Smith was preparing a Vehicle Deck Operating Procedure to improve the fleet car deck management processes.

**8. ANY OTHER BUSINESS**

Mr Tait left the meeting.

- Mr Hadfield noted that an Islands Bill consultation had been launched by the Minister. He did not anticipate that there would be any controversial aspects.
- Mr Hadfield noted that the Vessel Replacement and Deployment Plan was to be published on 2 October 2015.
- Mr Hadfield indicated that, following the successful conclusion of the Stornoway/Ullapool Task Force, a 'lessons learned' analysis had been conducted and a note would be circulated on anything that required further examination.
- Mr Hadfield noted that Mr David Middleton was moving from his post as Chief Executive of Transport Scotland to that of Chief Executive of Historic Environment Scotland.
- **[FOISA Status - Exemption under Section 30 (Prejudice to Effective Conduct of Public Affairs)]**

**9. NEXT MEETING**

10am on Wednesday 10 February 2016 at Gourock.

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Chairman