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**DAVID MACBRAYNE LIMITED**  
**MINUTES of the BOARD MEETING**

**held on Wednesday 21 November 2018 at 9.00 a.m.**

at the Ferry Terminal, Gourrock, PA19 1QP

[FOISA Status – Exemptions under Section 30 (Prejudice to effective conduct of public affairs) Section 33 (Commercial interests) and Section 36 (Confidentiality)]

**Present:** D C McGibbon (DMcG) (Chairman)  
S M Browell (SMB)  
M Comerford (MC)  
R Drummond (RD)  
S Hagan (SH)  
J Stirling (JS)  
A Tait (AT)

**In attendance:** J Beckett (JB) –Finance Director  
N Brown (NB) – Bid Board Chairman (part)  
K McGregor (KMcG) – Business Development Director (part)  
D Gledhill (DG) – Bid Director (part)  
R Hadfield (RH) – Assessor, Transport Scotland (part)  
J Philpott (JP) – Asset Management Director (part)  
D Steele (DS) - Senior Manager - Technical Suppliers & Logistics (part)  
S R Griffin (SRG) – Company Secretary

<b>Item</b>	<b>Action</b>
1. <b><u>GOVERNANCE</u></b>	
1.1 <b>SAFETY MOMENT</b>	
M Comerford played a short video showing an unintended movement of a Caribbean RORO ferry along a jetty and J Stirling commented that the airline industry designed its controls to factor in the human element.	
1.2 <b>APOLOGIES FOR ABSENCE</b>	
There were no apologies for absence.	
1.3 <b>DECLARATIONS OF INTEREST</b>	
There were no new declarations of interest although M Comerford advised that he may, in the future, have an interest in a shipbuilding yard (outside Scotland).	
<i>At this point N Brown, K McGregor and D Gledhill joined the meeting.</i>	
2. <b><u>STRATEGIC ITEMS</u></b>	
2.1 <b>NORTHLINK BID UPDATE</b>	

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**Affairs]]**

*At this point N Brown, K McGregor and D Gledhill left and R Hadfield joined the meeting.*

3. **GOVERNANCE (CONT'D)**

3.1 **MINUTES FROM BOARD MEETING OF 24 OCTOBER 2018**

The Minutes of the Board meeting held on 24 October 2018 were **APPROVED**, subject to a minor amendment to M Comerford's comments under 5.1.1, and the Chairman was **AUTHORISED** to sign the minutes.

3.2 **ACTION LOG**

The action log was discussed as follows:-

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

**75.18 CHAIRMAN'S REMARKS - SCOTTISH CABINET MEETING – ARRAN**

The full Board would like to meet with M Matheson and P Wheelhouse before the end of the year and have clarity on the different roles of each minister. **AT**

**Action:** R Hadfield agreed to set up meetings for the full Board with the Ministers.

The ministerial meeting with the whole Board was still to be arranged and D McGibbon confirmed that the request had been lodged with Transport Scotland. **Action:** D McGibbon to contact the Minister directly if a meeting date was not forthcoming shortly.

R Hadfield confirmed that he had been liaising with P Wheelhouse's office and would confirm dates in the next few days.

**76.18 GROUP REPORTS - GROUP CEO UPDATE**

**Action:** The Board agreed that they should be more visible out on the network and that Board meetings should be held out on the network with meetings to be organised with communities to make the most of the opportunity.

The Board agreed that every other Board meeting should be held out on the network and it was noted that I MacKinnon of Outer Hebrides Tourism had requested a visit from the CalMac Board and it was thought that late Spring might be most suitable. C/fwd. **RH**

**83.18 STRATEGIC ITEMS - DELEGATED AUTHORITIES SCHEDULE**

**Action:** A process was to be put in place to ensure that individuals received a communication outlining their responsibilities under their delegated authority. J Beckett reported that Finance had met with HR and this process had been agreed. Action complete.

**92.18 GROUP CEO UPDATE - Key Issues Next Month**

**Action:** R Drummond agreed to produce key achievements, in table form, to the Non-Executive Directors for network visits including how directors should respond to questions regarding breakdowns (e.g. referencing specific issues beyond the ageing fleet, such as over use issues with ramps). This information would then be uploaded to the Board portal and updated regularly. **RD/SRG (BF)**

**93.18 GROUP FINANCE UPDATE**

A Tait commented that the detail in the report was excellent but he would like to see information on the long-term overall picture across the life of the CHFS2 contract.

**Action:** J Beckett reported that an exercise to look at the 8-year figures was underway with the first draft produced. **RD (BF)**

J Beckett reported that this paper was undergoing final internal review. It was agreed that this paper should be discussed at a Board meeting in January 2019.

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**96.18 GROUP CEO UPDATE - Key Issues Last Month**

- **Oban Pier Incident** – R Drummond advised that the traffic management plans were currently being reviewed with external expertise being brought in to assist and CalMac would need to be much more robust with customers (including hauliers) in setting out how they must act within CalMac operational areas. R Drummond confirmed that the review was scheduled to complete within six weeks and the Board confirmed its support for management taking any immediate interim measures required. **Action:** R Drummond would keep the Board informed of progress. R Drummond updated the Board on the status of the review. Action closed.

JB

**97.18 GROUP CEO UPDATE - Key Issues Last Month**

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

**98.18 GROUP CEO UPDATE - Key Issues Last Month**

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

**99.18 GROUP CEO UPDATE - Key Achievements Last Month**

- **Meeting with the Minister (M Matheson)** The Board discussed fleet resilience and how to progress these discussions. Vessel obsolescence was a CMAL responsibility and long-term strategy was a Transport Scotland one but these matters impacted on CalMac who had to repair the vessels. The Board noted that at the Tripartite meetings CMAL had been given an action to look into obsolescence and they discussed whether CalMac should secure external resource to progress this matter (in conjunction with CMAL) given the anticipated increasing future impacts on their business. The Board discussed the potential costs of this work and beneficial outputs such as an agreed definition of obsolescence.

DMcG

**Action:** The Board would discuss fleet resilience, obsolescence and the role of CalMac (i.e. DML as a government asset rather than CFL as the service operator under the CHFS2 contract), CMAL and Transport Scotland with the Minister, however before that D McGibbon would discuss this matter with F Pacitti. It was noted that this was on the agenda for D McGibbon's next meeting with F Pacitti – c/fwd.

RD (PS)

RD

**100.18 GROUP CEO UPDATE - Key Achievements Last Month**

- **Safety Culture** – the near miss ratio was at 4.24 (target 3.0). J Stirling commented that this marked a major step forward. **Action:** J Stirling agreed to speak to L De Wolff regarding this improvement. C/fwd.

RD

DMcG

**103.18 DML Group Financial Results – end September 2018**

Group Balance Sheet

**Action:** J Beckett confirmed that she would be bringing a proposal for cash to the November Board together with the 8 Year forecast and Q2 Review. J Beckett reported that the cash flow forecast work was underway and would use the real cash position at the end of 2018 to review the funding facility requirements. A paper would be brought to the January Board meeting.

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**106.18 CALMAC COMMUNITY BOARD - Other Issues**

- Disabled access – Community Board members had reported that getting on board

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ferries was good but that finding seating on board was sometimes an issue. **Action:** R Drummond agreed to look into labelling some seating as priority for disabled customers. R Drummond reported that Service Delivery were looking into immediate practical solutions and then longer-term solutions once their review was complete.

DMcG

#### **107.18 CALMAC COMMUNITY BOARD - Other Issues**

The Board discussed the forthcoming joint meeting with the CalMac Community Board which they hoped would allow them to understand the Community Board's concerns and in turn communicate to the Community Board the constraints which impacted CalMac.

JS

All other actions were complete, for future meetings or covered under Agenda items.

#### **4. STRATEGIC ITEMS (CONT'D)**

##### **4.1 Q2 REVIEW 18/19 FY FORECAST**

The report from J Beckett was noted and she outlined the process undertaken for the Q2 Review and noted the original business plan figures with a Group Plan profit of **[FOISA Status – Exemption under Section 33 (Commercial Interests and the Economy)]** (and **[FOISA Status – Exemption under Section 33 (Commercial Interests and the Economy)]** less business development costs).

2.1 Approved Adjustments – J Beckett reported that this showed an adjusted Business Plan Group Profit of **[FOISA Status – Exemption under Section 33 (Commercial Interests and the Economy)]** (before business development costs).

3.1 Full Year Group Profit/(Loss) – Detail – J Beckett reported that there was no change to Operating Profit.

3.2 Full Year Group Profit/(Loss) – High Level showed the variances to Plan V2 under the following headings:-

##### One-Offs:-

- Maintenance Costs
- Other Revenue

##### Operational Variances:

- Maintenance
- **[FOISA Status - Exemption under Section 30 (Prejudice to Effective Conduct of Public Affairs)]**.
- Pier Dues – the overspend was due to carryings and rates increases
- Support Service was positive to Plan
- Crew / Crew Training was positive to Plan

3.3 Full Year Vessel and Port Operations – J Beckett took the Board through these figures.

3.4 KPI Update – of the total of 39 KPIs, 56% were green (22 KPIs), 31% were amber (12) and 13% were red (5). The Board discussed the red KPIs and noted that: SAF1 related to accidents, VAL1 to costs, a plan was underway for PPL1 and SRV1 related to CHFS2 Contract call handling KPIs that were not currently achievable, however the penalties were small. R Drummond confirmed that staff had different, achievable internal targets.

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#### 4. 2018-19 Risks & Opportunities Update

##### Risks & Potential Risk Impact to Group Profit

- Farebox – May-August had been great however September was below Plan as was October.
- Retail Income – this was similar to Farebox above.
- Crew Costs – this risk had reduced as it was ahead of Plan
- Crew Training – as above
- Overhauls – this risk had increased as the overhaul season was underway
- IFRS Revenue Recognition – this was a new risk covering the potential impact of IFRS on published results
- Unplanned Maintenance – a new risk under Q1F which had not changed for Q2F
- Total Risk was **[FOISA Status – Exemption under Section 33 (Commercial Interests and the Economy)]**, changed from **[FOISA Status – Exemption under Section 33 (Commercial Interests and the Economy)]** in Q1F or **[FOISA Status – Exemption under Section 33 (Commercial Interests and the Economy)]** in the Business Plan from **[FOISA Status – Exemption under Section 33 (Commercial Interests and the Economy)]** in Q1F.

##### Opportunities & Impact to Group Profit

- Marketing Costs Review – unchanged from Business Plan and Q1F
- Fuel Volume Savings – unchanged from Business Plan and Q1F
- IFRS Revenue Recognition – this had been added
- ATOS case outcome – an additional opportunity on legal costs
- Performance Penalties – unchanged
- Support Services – unchanged
- Total Opportunity was **[FOISA Status – Exemption under Section 33 (Commercial Interests and the Economy)]** changed from **[FOISA Status – Exemption under Section 33 (Commercial Interests and the Economy)]** in Q1F or **[FOISA Status – Exemption under Section 33 (Commercial Interests and the Economy)]** in the Business Plan from **[FOISA Status – Exemption under Section 33 (Commercial Interests and the Economy)]** in Q1F.

It was noted that there was no update from Transport Scotland on the Gourock-Dunoon Contract.

The Board discussed the report and it was noted that with higher passenger numbers there was an opportunity for greater retail income. R Drummond reported that the retail strategy was being reviewed with a retail expert being consulted.

*At this point J Philpott and D Steele joined the meeting.*

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

#### 5. **ITEMS FOR APPROVAL**

##### 5.1 **ANNUAL ENVIRONMENTAL REPORT**

It was noted that the Annual Environmental Report was currently with the Safety Committee for review and approval after which it would be circulated by email to the Board for their review and approval with a view to submitting the report to Transport Scotland for the end of 2018.

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## 5.2 ANNUAL SAFETY REPORT

It was noted that the Annual Safety Report was currently with the Safety Committee for review and approval after which it would be circulated by email to the Board for their review and approval with a view to submitting the report to Transport Scotland for the end of 2018.

## 5.3 POLICY CHANGES

The Board noted the report from L De Wolff and reviewed the changes to Policies as outlined.

### Decision

The Board **APPROVED** the Policy Changes outlined in the report.

## 6. BOARD COMMITTEES

### 6.1 **AUDIT & RISK COMMITTEE (ARC)**

The minutes of the meeting held on 31 October 2018 were noted and A Tait reported that the ESPD for the External Audit tender had gone out with a view to selecting five parties to tender. Tender documents were currently being prepared.

He noted that the ARC had discussed BaRTS, the Framework Agreement and the Strategic Executive Risk Summary and agreed to hold a risk development session early next year. He noted that the ARC had been advised that the risk team were considering Brexit impacts. In addition, management had advised of a cash loss incident for which L De Wolff was preparing a report and an Internal Audit Review would be conducted in respect of historic pension fund discussions including lessons learned.

### 6.2 **SAFETY COMMITTEE**

The minutes of the meeting held on 31 October 2018 were noted. J Stirling reported that the Safety Committee had discussed traffic management and the near misses that had been leading indicators and had gained comfort from management that actions were in progress to review this area. He confirmed that the Safety Committee were also revisiting the risk process. Passenger accidents statistics were not seeing an improvement and passenger near misses reporting was not growing in line with other near miss reporting, therefore it had been suggested that crew look for near misses and discuss these with passengers to raise awareness.

### 6.3 **REMUNERATION COMMITTEE**

It was noted that there would be a Remuneration Committee meeting immediately after the Board meeting.

## 7. GROUP REPORTS

### 7.1 **GROUP CEO UPDATE**

The Board noted the report from R Drummond and he reported as follows:-

#### 7.1.1 **Key Issues Last Month**

- **Focus on ferries in media** – the Parliamentary debate had been lost by the Government

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and J Greene, MSP, was sending in a number of information requests. An action plan was being prepared by Transport Scotland. There had been a Uist Ferry Summit and two Ministerial meetings with Islay and Arran stakeholders.

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- **Oban Pier Incident** – there would be a meeting with HSE on 23 November (with CMAL also attending). An accident report & action plan had been delivered, traffic management plans were being reviewed - raising potential port capacity constraints.
- **Cammell Laird** – there had been industrial action and one vessel had been removed to Dales. Contingency plans were in place if vessels spent longer at dry dock than planned with two further vessels potentially affected.

RD

**7.1.2 Key Achievements Last Month**

- **Applications Roadmap** – a useful session had been held.

**7.1.3 Key Issues Next Month**

- **Communications** – an end to end communications review would be carried out to assess what could be done differently with the current tools available.

**7.2 GROUP FINANCE UPDATE**

The Board noted the report from J Beckett covering the period to end October and she reported as follows:-

**7.2.1 DML Group Financial Results – end October 2018**

**7.2.1.1 Group Profit & Loss**

- Operating profit was **[FOISA Status – Exemption under Section 33 (Commercial Interests and the Economy)]** in the month, adverse to Plan **[FOISA Status – Exemption under Section 33 (Commercial Interests and the Economy)]** however YTD **[FOISA Status – Exemption under Section 33 (Commercial Interests and the Economy)]** was **[FOISA Status – Exemption under Section 33 (Commercial Interests and the Economy)]** positive to revised Plan. Key monthly variances were:
  - Farebox & Retail revenue **[FOISA Status – Exemption under Section 33 (Commercial Interests and the Economy)]** adverse to Plan due to poor weather
  - Vessel operations **[FOISA Status – Exemption under Section 33 (Commercial Interests and the Economy)]** adverse to Plan – due to overhauls timing

**7.2.1.2 Group Balance Sheet**

- Group net asset position was **[FOISA Status – Exemption under Section 33 (Commercial Interests and the Economy)]**.
- Cash position was **[FOISA Status – Exemption under Section 33 (Commercial Interests and the Economy)]** due to seasonal fluctuations and it was noted that a cash flow forecast was being produced for January.

**7.2.2 CHFS2 Contract Year 2 Performance**

**7.2.2.1 Summary Contract Year 3 Financial Performance**

Provisional figures for month 1 CY3 had been produced. It was noted that there had been increased harbour dues (pier & berthing) from CMAL with one factor being increased passenger numbers.

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7.2.2.2 Contract Variations & Funding Update  
The position regarding CVs was noted.

7.2.2.3 Performance Penalties Deductions  
The Board noted the data for month one of CY3.

7.2.3 **Gourock-Dunoon Summary Contract Year 7 Financial Performance**

7.2.3.1 Summary Contract Extension Year 2: April-October 2018 Financial Performance  
Operator return was **[FOISA Status – Exemption under Section 33 (Commercial Interests and the Economy)]**. YTD, negative **[FOISA Status – Exemption under Section 33 (Commercial Interests and the Economy)]**. due to performance penalties.

7.2.3.2 Performance Penalty Deductions - AFL  
This information was noted.

7.2.4 **Solent Gateway JV Summary Contract Finance Performance Expenditure**

Operating Loss was **[FOISA Status – Exemption under Section 33 (Commercial Interests and the Economy)]**.YTD, being **[FOISA Status – Exemption under Section 33 (Commercial Interests and the Economy)]**.positive to Plan with income coming from rail storage. The Board discussed SGL performance.

JB

**Action:** J Beckett was asked to develop a reporting forecast column in the SGL reporting.

7.2.5 **Bid Commitments Update**

This information was noted and J Beckett reported that she would be obtaining a definitive end CY2 position and where CVs were required to amend deadline dates.

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

7.4 **INSURANCE ARRANGEMENTS**

The Board noted the insurance arrangements and A Tait confirmed that the Audit & Risk Committee had reviewed these in detail.

8. **ANY OTHER BUSINESS**

8.1 **SPONSORSHIP STRATEGY**

The Board noted the Sponsorship Strategy.

**Action:** They asked that it was reviewed, amended and re-presented.

RD (KMCG)

8.2 **SERVICE DELIVERY DIRECTOR ROLE**

This item was carried forward to the February Board.

RD

8.3 **WI-FI TRIALS**

J Stirling noted that there were Wi-Fi trials ongoing on the Stornoway-Ullapool route.

8.4 **ASSET MANAGEMENT RESOURCE**

R Drummond confirmed that J Philpott and HR were working hard on recruitment to bring the team to full strength.



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## 8.5 STRATEGY

The Board agreed that they should hold a strategy session on 23 January based on the previous session work collated by D Gledhill.

**Action:** N Brown to be asked to facilitate a Board strategy session on 23 January.

RD

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

## 8.7 GOUROCK-DUNOON CONTRACT TENDER

R Drummond reported that the Minister had met with the Unions earlier in the day to discuss staff disquiet about the Gourrock-Dunoon contract tender delays and that all options had been discussed, including stopping the service. It had been reported that there would be a decision on this tender by 10 December.

**Action:** R Drummond would confirm the output from this meeting and circulate it to the Board.

RD

## 8.8 PORT SAFETY

M Comerford asked who the duty holder was under the Port Marine Safety Code and was advised that it was CMAL for the CMAL ports.

**Action:** R Drummond to check who the duty holder was for Perth port.

RD

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

## 8.10 INTERREG

M Comerford advised that, at the invitation of the Royal Institution of Naval Architects, he had attended an event entitled "Industry 4.0 in Maritime" at Strathclyde University.

The event was focussed on the opportunities in application of Artificial Intelligence (AI) and automation (known as I4.0 - the 4th industrial Revolution) in the shipping and shipbuilding industries. The event was part of an EU outreach on this issue, with Interreg funding, to drive increased profitability and competitiveness in shipping and shipbuilding on the Atlantic seaboard of Europe using new technologies, particularly AI and exploitation of Big Data.

The project is looking for partners to develop applications of these technologies and opportunities exist for CalMac to participate in this.

## 8.11 MINISTERIAL / TRANSPORT SCOTLAND UPDATE

R Hadfield reported that:

- K Forbes would be meeting with the Minister to discuss the Mallaig-Armadale route
- The Scottish Government draft Budget was due to be set out on 12 December
- Contract Management Team – following recent changes, including additional resource, the Ferries team would consist of a team leader and three staff
- Brexit was being discussed within Transport Scotland with preparations being made for

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a hard Brexit and it was anticipated that this would necessitate a large number of requests for information from CalMac.

It was noted that some of the DML Board would be meeting with P Wheelhouse on 18 December and the meeting of the full Board with him would be scheduled for next year.

9. **ADDITIONAL PAPERS - FOR NOTING**

9.1 **ADDITIONAL PAPERS - DEPARTMENTAL REPORTS**

The Board noted the Executive Committee Reports.

10. **DATE OF NEXT MEETING**

Wednesday 23 January 2019 at 9.00 a.m.

Signed:  
**D C McGibbon**  
Chairman

Date: