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DAVID MACBRAYNE LIMITED
MINUTES of the BOARD MEETING
held on Wednesday 24 October 2018 at 9.00 a.m.
at the Ferry Terminal, Gourock, 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
- D Gledhill (DG) – Bid Director (part)
- K Chamberlain (KC) – Environmental Manager (part)
- A Campbell (AC) - CalMac Community Board Chairman (part)
- S R Griffin (SRG) – Company Secretary

Item	Action
1. <u>GOVERNANCE</u>	
1.1 SAFETY MOMENT	
<p>J Stirling noted that at a recent hotel he had stayed at there was an unlit step at the exit and he had paused before going back in to report it. He was disappointed with himself that he had paused rather than going back in straight away.</p>	
1.2 APOLOGIES FOR ABSENCE	
<p>There were no apologies for absence from Directors, however R Hadfield, the assessor, had communicated his apologies.</p>	
1.3 DECLARATIONS OF INTEREST	
<p>There were no new declarations of interest although J Stirling advised that he knew the two MOD 1 stars that the SGL Board were meeting with.</p>	
1.4 MINUTES FROM BOARD MEETING OF 26 SEPTEMBER 2018	
<p>The Minutes of the Board meeting held on 26 September 2018 were APPROVED and the Chairman was AUTHORISED to sign the minutes.</p>	
<p>Action: R Drummond would to circulate the follow-up information that had been sent to the Parliamentary Rural Economy & Connectivity Committee.</p>	
	RD
<p>R Drummond reported that for the COSLA Local Governance Review, B Fulton was</p>	

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considering the CalMac response including the CalMac Community Board.

1.5 ACTION LOG

The action log was discussed as follows:-

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

55.18 GROUP CEO UPDATE - Key Issues Last Month

➤ **Community Board** – The Board discussed holding a joint meeting with the Community Board members. S Hagan would suggest a joint DML Board and Community Board members meeting at the next Community Board.

The joint DML and Community Board meeting had been scheduled for 22 November and an Agenda would now be drawn up.

Action: The Disruption Prioritisation Matrix should be added to the Agenda.

73.18 The Board agreed that they should have greater visibility and contact across the network. R Drummond agreed to arrange for a stakeholder map to be circulated to the Board. This had now been circulated.

74.18 BOARD COMMITTEES- AUDIT & RISK COMMITTEE (ARC)

Action: R Hadfield asked that the draft Accounts be circulated to Transport Scotland in good time for their review and J Beckett agreed to do so once the Accounts had been circulated to the Board for comment. The CalMac Ferries Limited Annual Report & Accounts had been approved and a date set for approval of the DML Group and other subsidiary accounts. J Beckett reported that the DML Accounts would be circulated to the Board shortly.

RD (JP)

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.

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

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.

RH

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.

DMcG

84.18 ANY OTHER BUSINESS - DML BOARD – DATA & EMAIL PROCESS

Action: S R Griffin was asked to look at options for improving the process for viewing Board and Committee packs. C/fwd. M Comerford noted that he was having issues accessing Board appointments easily.

90.18 GOVERNANCE - SAFETY MOMENT

Action: J Stirling noted that the Safety Committee would look at the water provision at ports and harbours. R Drummond reported that this was the responsibility of the asset infrastructure owners, with different owners at different ports. The SafetyCo would discuss this matter with L De Wolff to consider carrying out a scenario-based exercise to test the provisions made by the owners.

93.18 GROUP FINANCE UPDATE

A Tait commented that the detail in the report was excellent but he would like to see

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information on the long-term overall picture across the life of the CHFS2 contract.

RH

Action: J Beckett reported that an exercise to look at the 8-year figures was underway with the first draft produced and she anticipated that it would be ready for the October Board. This was in progress and would be presented to the Board in due course.

DMcG

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

2. **CHAIRMAN'S REMARKS**

2.1 **MEETING WITH THE MINISTER (M MATHESON)**

D McGibbon reported that he, A Tait and R Drummond had discussed yard strategy, crewing and BaRTS with M Matheson.

2.2 **RURAL ECONOMY & CONNECTIVITY COMMITTEE**

D McGibbon noted that he and R Drummond had appeared in front of this Parliamentary Committee and R Drummond had responded to the Committee's information requests.

2.3 **FERRY OPERATOR OF THE YEAR**

CalMac had won ferry operator of the year - a major award which was given for companies who could show the benefit they provided to their customers. R Drummond reported that the CalMac customer scores were over 90%, far higher than other transport providers e.g. Scotrail.

At this point D Gledhill joined the meeting.

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

At this point D Gledhill left the meeting.

4. **BOARD COMMITTEES**

4.1 **AUDIT & RISK COMMITTEE (ARC)**

The next meeting would be held on 31 October 2018.

4.2 **SAFETY COMMITTEE**

The next meeting would be held on 31 October 2018.

4.3 **REMUNERATION COMMITTEE**

There was no update from the Remuneration Committee.

4.4 **BOARD COMMITTEE TERMS OF REFERENCE**

The Board noted this report which outlined the changes made by the Committees to their Terms of Reference, including marked-up copies of each Terms of Reference.

The Board agreed that 'environment' should be added to the Safety Committee purpose.

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Decision

The Board **APPROVED** the updated Terms of Reference for the Audit & Risk, Safety & Remuneration Committees.

5. GROUP REPORTS

5.1 GROUP CEO UPDATE

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

5.1.1 Key Issues Last Month

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

Rural Economy & Connectivity Committee – this had been discussed earlier in the meeting. There was more press coverage of the delayed vessels 801 & 802 and Ferguson Marine had held a public meeting **[FOISA Status - Exemption under Section 30 (Prejudice to Effective Conduct of Public Affairs)]** The vessel specification process had not been robust and this may become an issue in the future.

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

➤ **Contract Variations (CVs)** – the Horsebridge CV **[FOISA Status – Exemption under Section 33 (Commercial Interests and the Economy)]** and change of law CV **[FOISA Status – Exemption under Section 33 (Commercial Interests and the Economy)]** were still outstanding and had not been recognised in the Statutory Accounts. It was felt that these two matters should be separated, given one was contractual and the other a matter of principle (concerning good faith regarding the Transport Scotland Letter of Comfort). It was felt that these CVs should be escalated to the Transport Scotland CEO by the chairman.

Action: D McGibbon to speak to the Transport Scotland CEO (R Brannen) about both the Horsebridge and change of law CV, but in particular the latter, having advised F Pacitti that he would be doing so.

➤ **BaRTS** – there was no progress on this project.

Action: D McGibbon would raise the lack of progress on this project with F Pacitti.

RD

5.1.2 Key Achievements Last Month

➤ **Royal National Mod** – this had gone well. S Browell commented that communications to the Board prior to this event had not been satisfactory. R Drummond advised that he would be discussing improved stakeholder events information to the Board and Board representation at such events with B Fulton.

Meeting with the Minister (M Matheson) [FOISA Status - Exemption under Section 30 (Prejudice to Effective Conduct of Public Affairs)]. The Board discussed fleet resilience and how to progress these discussions. R Drummond reported that more in-service work was being undertaken by CalMac, new contracts were being signed and the dry dock process was being managed to enable quicker responses and parts delivery.

It was noted that Transport Scotland had provided a one-off vessel obsolescence fund of £3m which was being spent on spares. Vessel obsolescence was a CMAL responsibility and long-term strategy 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

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business. The Board discussed the potential costs of this work and beneficial outputs such as an agreed definition of obsolescence.

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.

- **Safety Culture** – the near miss ratio was at 4.24 (target 3.0). J Stirling commented that this marked a major step forward.

Action: The improvement in safety culture was to be covered in the next Horizon magazine and staff on the small vessels were to be congratulated on their work. J Stirling agreed to speak to L De Wolff regarding this improvement.

DMcG

5.1.3 Key Issues Next Month

- **Gourock-Dunoon** – the contract extension ended in January 2019 and the unions remained unhappy regarding staff uncertainty. Clarity was needed from Transport Scotland on the contract process.

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

Action: D McGibbon would speak to K McGregor about the project.

DMcG

5.2 GROUP FINANCE UPDATE

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

5.2.1 DML Group Financial Results – end September 2018

5.2.1.1 Group Profit & Loss

- Operating profit was **[FOISA Status – Exemption under Section 33 (Commercial Interests and the Economy)]** in the month, YTD **[FOISA Status – Exemption under Section 33 (Commercial Interests and the Economy)]** which was **[FOISA Status – Exemption under Section 33 (Commercial Interests and the Economy)]** positive to revised Plan. Key monthly variances were:

- Farebox revenue **[FOISA Status – Exemption under Section 33 (Commercial Interests and the Economy)]** adverse to Plan due to disruptions and poor weather
- Overhauls rebate (volume discount) **[FOISA Status – Exemption under Section 33 (Commercial Interests and the Economy)]**

- Key YTD variances to Plan were:

- Recovery of CY1 obsolescence & management costs **[FOISA Status – Exemption under Section 33 (Commercial Interests and the Economy)]**
- Maintenance overspend (inc. MV Clansman & MV Isle of Arran) **[FOISA Status – Exemption under Section 33 (Commercial Interests and the Economy)]**
- Timing of filling vacancies **[FOISA Status – Exemption under Section 33 (Commercial Interests and the Economy)]** Project expenses – J Beckett confirmed that the grant payment was matched to actual spend

Action: J Beckett would find out whether any of the maintenance overspend would attract volume discount.

JB

5.2.1.2 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)]**.

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and the Economy)) due to seasonal fluctuations. J Beckett reported that a meeting had been held with Transport Scotland to discuss the CY1 reconciliation with an estimated payment of **[FOISA Status – Exemption under Section 33 (Commercial Interests and the Economy))** due to Transport Scotland.

JB

- CY2 – there were three CVs outstanding with no significant issues and CY2 was anticipated to be reconciled by end 2018.

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.

5.2.2 CHFS2 Contract Year 2 Performance

5.2.2.1 Summary Contract Year 2 Financial Performance

Draft Operator Return pre-Clawback was **[FOISA Status – Exemption under Section 33 (Commercial Interests and the Economy))** against a target of **[FOISA Status – Exemption under Section 33 (Commercial Interests and the Economy))**. The additional CVs for **[FOISA Status – Exemption under Section 33 (Commercial Interests and the Economy))** discussed earlier would come under CY3.

5.2.2.2 Contract Variations & Funding Update

- The position regarding CVs was noted and **[FOISA Status - Exemption under Section 30 (Prejudice to Effective Conduct of Public Affairs))**.

5.2.2.3 Performance Penalties Deductions

The Board noted the detail giving a total of **[FOISA Status – Exemption under Section 33 (Commercial Interests and the Economy))** for CY2 to date (compared to **[FOISA Status – Exemption under Section 33 (Commercial Interests and the Economy))** for CY1). R Drummond reported that the MV Caledonian Isles bow ramp issues were due to over-use not an overweight crane and J Beckett confirmed that the provision for wear & tear costs had been increased. She confirmed that **[FOISA Status – Exemption under Section 33 (Commercial Interests and the Economy))** had been budgeted for in the Plan (within Risk provision).

5.2.3 Gourock-Dunoon Summary Contract Year 7 Financial Performance

5.2.3.1 Summary Contract Extension Year 2: April-September 2018 Financial Performance

Operator return was **[FOISA Status – Exemption under Section 33 (Commercial Interests and the Economy))** YTD, positive to contract. The contract extension ran from April 2018-January 2019 and there was an opportunity now to identify the additional work required on the vessels and the Finance and Asset Management teams were working on this (for the existing contract extension Transport Scotland had agreed an increased maintenance provision only).

5.2.3.2 Performance Penalty Deductions - AFL

This information was noted.

5.2.4 Solent Gateway JV Summary Contract Finance Performance Expenditure

Operating Loss was **[FOISA Status – Exemption under Section 33 (Commercial Interests and the Economy))**, being **[FOISA Status – Exemption under Section 33 (Commercial Interests and the Economy))** positive to Plan. There were no significant variances. J Beckett reported that SGL revenue recognition evidence was being provided to KPMG so that the DML Accounts could be issued by the end of the week.

5.2.5 Bid Commitments Update

This information was noted.

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

At this point K Chamberlain joined the meeting.

6. **STRATEGIC ITEMS**

6.1 **ENVIROMENTAL PRESENTATION (INC WASTE MANAGEMENT)**

K Chamberlain outlined the Environmental Strategy 2020 Targets and progress against them:-

- 10% operational water reduction target – a pilot had been undertaken to gather water consumption data
- Fully implement air quality legislation – complete
- Development climate change action plan – ongoing
- Zero enforcement actions – none currently
- Deliver environmental awareness training – ready to roll out
- Baseline for business travel emissions – ongoing
- Delivery biodiversity action – ongoing

She also outlined progress against Corporate Objectives:-

- Reduce carbon footprint by 5% by October 2019
 - Data had been gathered and the carbon footprint 15/16 had been calculated with 99% of the carbon footprint being due to vessels.
 - 15/16 was 1.26 kg per passenger km and 17/18 was 1.212 kg per passenger km (3.5% of 5% reduction target however this would increase to 4.4% reduction if the weight carried on the vessels was equated to passengers).
 - Total CalMac carbon emissions were 128,263 tonnes which equated to the Inverness domestic emissions.
 - Reporting requirements from all ferry companies would come into force next year.
 - Further action to delivery Carbon 95 was: Ecoships efficiency on passages – the Isle of Lewis pilot would be rolled out and should give 6% savings; anti-fouling, maintenance, efficiency re heating & cooling; sustainable staff travel; staff behaviour. It was noted that questions such as ‘if a vessel was fully laden should it leave early in order to sail slower’ could be considered.
- GRN1-4 Waste Management
 - Waste review and recycling reviews had been completed.
 - Permanent Waste Manager was in place and she was reviewing contracts and re-tendering to gain maximum efficiency.
 - Baseline for waste was 16/17 – 4617 tonnes and for Q2 2018 it was similar at 1021.
 - The target for 2025 was 75% recycled and <5% to landfill versus 60% recycled and 40% to landfill currently.

The public facing projects undertaken and events attended by Environmental Management included:

- Marine Awareness Project – a citizen science project that had received positive feedback.
- Marine bird survey with JNCC – this would be a mentoring scheme with a pilot during Winter 2018 and surveys in 2019.
- Wildlife Officer (ORCA) – 45 trips, 2200 passengers engaged and good customer feedback. Social Media posts had reached 200,000 and it was hoped to run this in 2019.

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- Oban Marine Litter Summit – a Scottish Govt organised event.
- Oban Plastic Reduction Initiative – a community-led project supported by CalMac to reduce single-use plastics (including the provision of a drinking fountain at the Oban terminal).

R Drummond confirmed that although CalMac did not currently calculate the value of staff volunteering, a CSR Report was being produced and it would be considered for future reports.

Key Projects in the next months:

- Marine bio-security risk across Harbours and Ports
- Site specific Biodiversity Action Plan being developed
- Roll out of Environmental Awareness Plan

K Chamberlain confirmed that a press release covering the Wildlife Officer was ready to be released and c.12 PRs had gone out during the year covering the environmental work carried out. There was the opportunity to do more targeted work with wildlife publications – including the SNH quarterly publication. R Drummond confirmed that CalMac would be producing a Corporate Report which would capture this work.

The Board thanked K Chamberlain for her hard work and achievements.

At this point K Chamberlain left the meeting.

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

7. **ADDITIONAL PAPERS - FOR NOTING**

7.1 **ADDITIONAL PAPERS - DEPARTMENTAL REPORTS**

The Board noted the Executive Committee Reports.

8. **ANY OTHER BUSINESS**

8.1 **BOARD MEETINGS OUT ON THE NETWORK**

The Board noted that the first Board meeting held out on the network would be in February or March 2019 as the November Board was being held in Glasgow to suit the Community Board and the joint meeting. It was agreed that it was important that sufficient time was given to planning the network-based Board meetings to ensure that they were successful.

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

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

8.4 **STAKEHOLDERS**

M Comerford commented that a great deal of time was spent discussing Transport Scotland and Ministers with not enough on the customer experience and that this area should receive sufficient focus at Board meetings. R Drummond confirmed that customer

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experience data was discussed in detail at ExCo meetings.

The meeting was adjourned at 1pm.

The meeting was re-convened at 2pm and A Campbell joined the meeting.

9. **STRATEGIC ITEMS (CONT'D)**

9.1 **CALMAC COMMUNITY BOARD**

The Board noted the report from A Campbell and D McGibbon commented that Agenda items for the joint DML-Community Board meeting would need to be discussed.

A Campbell reported on the work of the CalMac Community Board as follows:

1. Membership

Two new members covering Bute and Uist had been appointed and they had attended the previous Community Board meeting.

2. Fleet Resilience

It had become clear that this was a major issue for communities and a sub-group had been formed and produced the presentation appended to this report on the work they had carried out to date.

3. Communication

A subgroup had been formed and a meeting held with CalMac staff. Consistency of information to customers had been regularly highlighted to Community Board members and discussed at the Community Board meetings.

Wi-Fi – there was good provision for communities locally in their offices but not on board vessels where people were seeking to be equally productive. Wi-Fi provision had been discussed with HIE however they had not responded positively. A Campbell had raised the matter at his meeting that morning with the Minister, P Wheelhouse, who had expressed interest. He noted that the Faroe Islands had put in place a marine Wi-Fi network which extended for 100 miles around the islands.

A Campbell reported that most customers look to the ports for information and updates on sailings/disruptions rather than the website. R Drummond commented that it would be good to discuss with the Community Board the balance of information provided, perhaps agreeing a standard, to avoid accusations of being alarmist by trying to provide advance notice vs not providing sufficient information to customers.

4. Ticketing System

A Campbell reported that the funding for this needed to be released and the procurement process completed and he had raised this subject with the Minister. G Laidlaw had advised the Community Board in August that Transport Scotland were looking to do this in the new financial year, however the Minister had been less definitive. It was agreed that a key message to communicate to Ministers was that CalMac customer communications & service were being hampered by the limitations of the existing system.

5. RET Assessment

A Campbell commented that he had discussed with the Minister that a holistic view of what

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RET had done for local economies needed to be taken and a careful assessment carried out before any changes were made.

6. Facilities

This covered remote ports such as Kennacraig and arrangements were being made for J Porteous and B Calderwood to meet with K Hobbs to discuss this.

7. Community Support

A Campbell reported that getting youth representation or engagement with the Community Board had not proved straightforward. The Community Board had discussed the fact that school buses were charged as commercial vehicles and this had been raised with the Minister. R Hadfield had been tasked with working out how to change this (given the contractual limitations in place).

8. Other Issues

- Freight ferry review – this had been discussed with the Minister and there was unlikely to be a cost-neutral solution.
- Disabled access – Community Board members had reported that getting on board 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.
- Freight storage for Small Isles – R Drummond confirmed that a proposition was with Transport Scotland for review.
- Local produce on ferries
- Economic outcomes to communities
- Ferry operations as environmentally-friendly as possible (including phasing out single-use plastics)
- Jobs for communities
- Reserved spaces for local residents and importance of local involvement in decision-making. This differed between ports. R Drummond advised that CalMac had put a local spaces policy into the CHFS2 bid but this had been removed by Transport Scotland and confirmed that a policy (including a protocol for releasing spaces not required) would be deliverable but needed Transport Scotland support.

RD

A Campbell reported that the Minister had committed to attending a Community Board meeting.

The Board and A Campbell discussed the Agenda items for the joint DML-Community Board meeting on 22 November.

Action: It was agreed that the items from A Campbell's paper together with the Prioritisation Matrix should be added. It was felt that a Prioritisation Matrix would provide communities with transparency and context to decisions made during disruptions.

DMcG (AC)

A Campbell advised that the Community Board had not had detailed discussions on economic development and increasing the economic benefit to communities as it was proving difficult to start those conversations with communities when the issues around disruptions, resilience and long-term fleet planning were to the fore. It was anticipated that once these had been improved then the focus could switch to longer term economic benefit to communities. The Ministers had spoken about a development fund.

The Board confirmed their support for the work of the Community Board. A Campbell

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confirmed that the initial term for Community Board members had been envisaged as approximately 18 months and he would be putting together a proposal for refreshing the Board in due course.

10. **DATE OF NEXT MEETING**

Wednesday 21 November 2018 at 9.00 a.m.

Signed:
D C McGibbon
Chairman

Date: