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**DAVID MACBRAYNE LIMITED**  
**MINUTES of the BOARD MEETING**  
**held on Wednesday 23 January 2019 at 9.00 a.m.**  
at the Custom House, Greenock, PA15 1EQ

[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
- R Hadfield (RH) - Assessor, Transport Scotland
- K McGregor (KM) – Commercial Director (part)
- D Gledhill (DG) – Bid Director (part)
- C P Paterson (CPP) – acting as Company Secretary

<b>Item</b>	<b>Action</b>
1. <b><u>GOVERNANCE</u></b>	
1.1 <b>SAFETY MOMENT</b>	
<p>S Browell noted that MV European Causeway had arrived at Cairn Ryan with a significant amount of cargo shift due to sailing in extreme weather conditions, with resultant damage to HGVs and other traffic. There had been a large amount of social media traffic generated. She noted that a review of the eventual incident report would be useful to identify any applicable lessons. M Comerford noted the importance of supporting a vessel's Master in making a decision about sailing in adverse weather.</p> <p>J Stirling noted that the Managing Director of Serco NorthLink, Stuart Garrett, kept a copy on his desk of the report about MV Princess Victoria. The ship was one of the earliest roll-on/roll-off ferries and operated between Larne and Stranraer. In 1953 she sank in a severe storm with the loss of 153 lives.</p>	
1.2 <b>APOLOGIES FOR ABSENCE</b>	
<p>There were no apologies for absence from Directors, however S Griffin, Company Secretary, had communicated her apologies.</p>	
1.3 <b>DECLARATIONS OF INTEREST</b>	
<p>There were no new declarations of interest.</p>	

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1.4 **MINUTES FROM BOARD MEETING OF 15 and 21 NOVEMBER 2018 (and 17 DECEMBER, previously circulated)**

*Minutes 15 November 2018*

R Drummond noted that there had been no Press enquiries regarding the DML Accounts. The Minutes of the Board meeting held on 15 November 2018 were **APPROVED** and the Chairman was **AUTHORISED** to sign the minutes.

*Minutes 21 November 2018*

Amendments

3.2 Action Log

99.18 CEO Update: after 'long-term strategy' to insert 'is'.

8. Any Other Business

8.3 WI-FI Trials: to extend the sentence with 'on the Stornoway/Ullapool route.'

Subject to the amendments as proposed, the Minutes of the Board meeting held on 21 November 2018 were **APPROVED** and the Chairman was **AUTHORISED** to sign the minutes.

*Minutes 17 December 2018*

The Minutes of the Board meeting held on 17 December 2018 were **APPROVED** and the Chairman was **AUTHORISED** to sign the minutes.

1.5 **ACTION LOG**

The action log was discussed as follows:-

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

**Action completed.** Meeting arranged for 26 February 2019.

**76.18 GROUP REPORTS - GROUP CEO UPDATE**

**In progress** - February Board was to have been on the network, but moved to March owing to Ministerial meeting above. C/fwd.

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

**Closed** - Non-Executive Briefings will be refreshed every two months to tie into Board visits.

**93.18 GROUP FINANCE UPDATE**

**Action completed** – Agenda item.

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

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

*At this point K McGregor and D Gledhill joined the meeting.*

**JB**

2. **STRATEGIC ITEMS**

2.1 **NORTHLINK BID UPDATE**

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

*At this point K McGregor and D Gledhill left the meeting.*

*At this point R Hadfield joined the meeting.*

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### **CHAIRMAN'S REMARKS**

D McGibbon noted that the newly appointed Group Chief Executive Officer, Duncan Mackison, was looking forward to joining the Board.

D McGibbon noted that the Minister, Paul Wheelhouse, confirmed recently that he would be taking on additional responsibilities for ferry services. **[FOISA Status - Exemption under Section 30 (Prejudice to Effective Conduct of Public Affairs)].**

D McGibbon noted that the Board was invited to have Dinner with the CMAL Board on the last day of February. It would be an ideal opportunity to meet D Mackison.

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

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

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

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

### 2.6 **DML JOINT MEETING WITH COMMUNITY BOARD**

No comments on the minutes had been offered by the Community Board.

R Hadfield commented on Item 2. He expressed slight concern that the item could be misconstrued as a view against Transport Scotland. R Drummond agreed that the item could be slightly rephrased and R Hadfield noted that it could be discussed at a suitable point later.

It was noted that the Community Board had twice asked the Minister for a meeting to take matters forward. R Hadfield confirmed that the Minister was keen to meet the Board although he was not aware of the Minister receiving any invitations from the CalMac Community Board.

RD/RH

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

### 2.8 **GROUP CASH REQUIREMENTS**

J Beckett introduced her paper. She was seeking Board approval of recommendations as set out in the paper.

#### **1. Group Cash Position December 2018.**

J Beckett noted that the CHFS1 Contract had presented minimal risk in terms of cash flow. However in the CHFS2 Contract, the Grant was set up to provide instalments 12 equal monthly payments each year, one month in arrears.

J Beckett noted that The RBS Funding Facility had been drawn down once in 2016 and once in 2017. These payments had been returned in 2017. Operator Return within CHFS2 Y1 meant that draw down had not subsequently been required.

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## **2. CFL Requirement for RBS Loan Funding Facility**

### 2.1 Background

J Beckett note that p2 of the report showed that the seasonal risk periods were in days 1 – 10 of each month as Grant payment was not received until day 10.

### 2.2 Ongoing requirement

J Beckett noted however the positive effect of a significant reduction in the RBS Facility Fee, which was reduced by one third, saving **[FOISA Status – Exemption under Section 33 (Commercial Interests and the Economy)]** per annum. R Drummond noted that the facility does not incur a significant cost to retain and provides a source of capital, if required.

J Beckett recommended Option 1 in the paper, to retain the RBS Loan Funding Facility, and to maintain the reduced fee.

After careful consideration, the Board **approved** the recommendation to retain the RBS Loan Funding Facility.

## **3. DML Cash Deposit Options**

J Beckett set out the deposit account opportunities, with RBS and Barclays providing options.

J Beckett recommended that cash deposits should continue to be lodged with RBS, for an initial period of 6 months, with a 6 month rolling review.

After careful consideration, the Board **approved** the recommendation to continue depositing funds in the most appropriate RBS deposit accounts.

### 2.9 **[FOISA Status – Exemption under Section 33 (Commercial Interests and the Economy)]**

## **3. ITEMS FOR APPROVAL**

No separate items for approval, only those as detailed elsewhere.

## **4. BOARD COMMITTEES**

### 4.1 **REMUNERATION COMMITTEE**

Remuneration Committee Meetings 21 November, 17 December and CRA 3 December and 11 January (verbal)

S Hagan referred to the Draft minutes and updated the Board.

*At this point D McGibbon, J Beckett and C P Paterson returned to the meeting.*

### 4.2 **BOARD GOVERNANCE SESSION**

#### Notes

The Board approved the Notes resulting from the Meeting held on 24 October.

#### Action log

*Items 1- 5, 9, 10, 14, 17, 18, 20, and 23 were noted as having been completed.*

*Item 6.*

R Drummond noted that the questionnaire was not going to be issued at this point, and that it would be appropriate to reconsider the Action.

*Item 15.*

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Noted as ongoing.

*Item 16.*

An **Action** was agreed with J Beckett to include the ExCo KPI Progress report in the Board Pack for review.

**JB**

*Item 19.*

Board noted this was deferred until the Chief Executive joined.

*Item 22.*

The Action was closed and it was noted that the Chairman will provide a summary of meeting discussions to remove any ambiguity around conclusions, and particularly in respect of decisions reached.

## 5. **GROUP REPORTS**

### 5.1 **GROUP CEO UPDATE**

R Drummond presented his report and drew attention to the following highlights:

- The unanticipated discovery of corrosion in way of the rudder stock had created some service issues but these were being very well handled.
- Issues raised at the Uists Community Summit attended by the Minister, R Drummond R Morrison and chaired by Alasdair Allan, MSP, were similar in a number of respects to those raised in Islay and Arran.
- The provision of MV Loch Seaforth for the centennial commemoration of the sinking of HMY Iolaire was well received by the community and Prince Charles and the 1<sup>st</sup> Minister Nicola Sturgeon who attended. Staff also gave up their time on 1 January to facilitate arrangements.
- **[FOISA Status - Exemption under Section 30 (Prejudice to Effective Conduct of Public Affairs)]. [FOISA Status - Exemption under Section 30 (Prejudice to Effective Conduct of Public Affairs)].**
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- **[FOISA Status - Exemption under Section 30 (Prejudice to Effective Conduct of Public Affairs)].**
- The issue around the funding of work on obsolescence has been very successfully concluded after 2 years of discussions, at a meeting with Graham Laidlaw and CMAL, with funding agreed to the amounts of **[FOISA Status – Exemption under Section 33 (Commercial Interests and the Economy)]** this year and **[FOISA Status – Exemption under Section 33 (Commercial Interests and the Economy)]** next year. Transport Scotland recognises the resilience challenge while new vessels are still to come on stream.
- The involvement of the HSE investigating the serious traffic accident at Oban has become more formalised due to the defensive position of the Public Liability Insurers. C P Paterson was invited to comment and he noted that the Insurers' experience of HSE Investigations elsewhere had led them to expect a potentially punitive outcome. They had expressed concerns about the Company continuing to act directly with the HSE without their input. However the Insurers and legal advisers were fully supporting the Company.
- The contract with the supplier of the telecoms network, Horsebridge, has not been renewed. The supplier's service level has nevertheless begun to improve.

S Browell considered that R Drummond and his team deserved congratulations for delivering the transfer of Argyll Ferries vessels and arrangements into CalMac Ferries

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without issue.

## 5.2 **GROUP FINANCE UPDATE**

J Beckett presented her report and drew attention to the following highlights:

### 1.1 DML Group Operating Profit & Loss versus Plan

- YTD results show a **[FOISA Status – Exemption under Section 33 (Commercial Interests and the Economy)]** profit which **[FOISA Status – Exemption under Section 33 (Commercial Interests and the Economy)]** positive to plan.
- Retail Revenues are running adverse to Plan but an action plan is being formed to achieve increased income.
- Noted that the 18/19 Group Financial Year reports an adverse result for the 2018/19 Annual Overhaul which is halfway through its programme.

### 2.1 Summary Contract year 3 Financial Performance

- Noted the apparent negative variance for Farebox and Retail Revenue and suspects that there may be phasing which is adversely affecting results. This is being investigated.

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

### 2.3 Performance Penalty Deductions

- Noted that a current lack of events has contributed to keeping the penalty totals down.

### 2.4 Bid Commitments Update

- Noted that a closer analysis will be conducted to allow progress tracking

### 3. Gourock-Dunoon Summary Contract year 7

- Noted that costs for January will be split between 20 days for AFL and 10 for CHFS2
- Noted that variance to seagoing expenditure has resulted in part from long-term crew illness.

*At this point J Stirling left the meeting.*

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

## 6. **ANY OTHER BUSINESS**

### 6.1 **BOARD MEETINGS ON NETWORK**

The Board discussed the proposal. They noted the length of agenda and limited time to conduct a meeting when in another locality. However there was a significant benefit to reputation as it is well received in communities when Board members travel to locations.

A Tait noted the juxtaposition of a network visit in March with the NIFS Bid and it was agreed to rearrange dates to avoid an issue.

### 6.2 **REVIEW OF MEETING WITH P WHEELHOUSE**

R Drummond asked of R Hadfield how he intended to progress a further meeting with Mr Wheelhouse. R Hadfield asked if some Agenda items could be proposed to take matters forward.

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7. **DATE OF NEXT MEETING**  
Wednesday 27 February 2019.

Signed  
DC McGibbon Chairman

Date