

Confidential

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

**held on Wednesday 27 March 2019 at 9.30 a.m.**

in the Croft Room, Caladh Hotel, Stornoway, Isle of Lewis

[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)

**In attendance:** D Mackison (DM) – Chief Executive Officer  
S R Griffin (SRG) – Company Secretary

**Apologies:** A Tait (AT)

<b>Item</b>	<b>Action</b>
1. <b><u>GOVERNANCE</u></b>	
1.1 <b>SAFETY MOMENT</b>	
<p>D McGibbon noted that the MAIB had issued a safety bulletin (resulting from their ongoing investigation into the Cairnryan ferry weather incident) about lorry drivers not remaining in their cabs during a crossing as had been the case during this incident. R Drummond confirmed that drivers did not remain in their vehicles on CalMac crossings.</p> <p>J Stirling commented that, following the recent Ethiopian Air crash, it had been mooted that Boeing had not communicated the impact of software installed on their planes to their customers and that if true this would be a significant issue for them.</p> <p>The Board noted the recent cruise ship incident in Norway where all four engines failed and the vessel was close to shore. It reinforced how quickly things could go wrong and the Board noted that they operated a fleet which included ageing vessels who were close to shore for a large portion of their voyages. They also noted that the vessels were reliant on software and the technical knowledge of the on-board engineers – particularly where communications to the vessel were not reliable. In addition there were systems on newer vessels such as the MV Loch Seaforth that could be monitored by the suppliers if the communications worked better.</p>	
1.2 <b>APOLOGIES FOR ABSENCE</b>	
<p>Apologies for absence had been received from A Tait who had sent his comments on the Board papers to the Chairman.</p>	
1.3 <b>DECLARATIONS OF INTEREST</b>	
<p>There were no new declarations of interest.</p>	

Confidential

1.4 **APPOINTMENT OF DIRECTOR**

D McGibbon welcomed D Mackison as Chief Executive Officer and reported that his appointment as a director of DML was with the Minister for approval. On behalf of the Board the Chairman extended his thanks to R Drummond for his hard work in not only covering the CEO role but also in his own role as CalMac Managing Director.

1.5 **MINUTES FROM BOARD MEETING OF 27 FEBRUARY 2019**

The Minutes of the Board meeting held on 27 February 2019 were **APPROVED**, subject to a minor clarification under 2.1, and the Chairman was **AUTHORISED** to sign the minutes.

**Action:** A Tait had requested that the information package regarding the training, quality requirements and support network for Masters also be circulated to the Board.

RD

1.6 **ACTION LOG**

The action log was discussed as follows:-

**36.18 ANY OTHER BUSINESS - FRAMEWORK AGREEMENT**

**[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. **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.*

AT

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

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

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

**118.18 ANY OTHER BUSINESS - 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:** D Mackison would liaise with N Brown to organise a strategy session.

**Action:** A strategy session date was to be scheduled for May / June.

**6.19 MEETING WITH MINISTER 26 FEBRUARY 2019**

*The Minister had agreed to meet the DML Board every six months. **Action:** R Hadfield to be asked to arrange the next meeting. D McGibbon had notified R Hadfield of this action.*

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

Confidential

2. **STRATEGIC ITEMS**

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

3. **ITEMS FOR APPROVAL**

3.1 **MODERN SLAVERY STATEMENT**

The Modern Slavery Statement was still being reviewed by the business.

**Decision**

The Board **AUTHORISED** D Mackison to review and sign off the Modern Slavery Statement for the business.

**Action:** D Mackison to circulate final version Modern Slavery Statement to the Board.

DM

4. **BOARD COMMITTEES**

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

The External and Internal Audit Tender update report was noted.

**Decision**

The Board **APPROVED** the extension of the existing Internal Audit Services provided by PWC to 31 March 2020.

4.2 **SAFETY COMMITTEE**

The Board noted the draft Safety Committee minutes of 13 February 2019 and that J Stirling had provided a verbal update at the February Board meeting.

R Drummond reported that the Bridge Resource Management work being undertaken by CalMac was using airline best practice and was ahead of their marine peer group.

4.3 **REMUNERATION COMMITTEE**

It was noted that there would be a Remuneration Committee meeting held later in the day.

5. **GROUP REPORTS**

5.1 **GROUP CEO REPORT**

D Mackison updated the Board verbally as follows:

- He had met the senior management team and other staff and had noted that the quality of staff within the business was very high.
- Governance – he had noted the limited company & NDPB requirements and the role of the shareholder and these would be considered as part of the Framework Agreement review. His initial views were that good systems and processes were in place for operating the business. He had discussed continuous improvement and building on the management systems with L De Wolff. He felt there were fewer processes in place within Business Development as it was a new function and there was a need to document processes.
- His key priorities were: structure, communications and relationship with the Scottish Government & stakeholders and the submission of the tender for the Northern Isles contract.

M Comerford commented that the Minister had encouraged CalMac to organise a reception for the Scottish Parliament and it was agreed that consideration should be given to inviting CMAL. The Board noted that ScotRail held regular drop-in events for MSPs and

Confidential

CalMac could also consider doing something similar.

**Action:** D Mackison and D McGibbon would provide suggestions for a Scottish Parliament reception to the May Board (with R Drummond to provide information on previous events held).

DM/DMcG

## 5.2 GROUP FINANCE UPDATE

The Board noted the report from J Beckett covering the period to end February and R Drummond reported as follows:-

### 5.2.1 DML Group Financial Results – end February 2019

#### 5.2.1.1 Group Profit & Loss versus Plan

➤ Operating profit was **[FOISA Status – Exemption under Section 33 (Commercial Interests and the Economy)]** in the month, positive to Plan, and YTD was **[FOISA Status – Exemption under Section 33 (Commercial Interests and the Economy)]** against Plan of **[FOISA Status – Exemption under Section 33 (Commercial Interests and the Economy)]**. Poor weather in March was anticipated to adversely affect next month's results and there were some significant Contract Variations awaiting approval.

➤ Key variances were:

- Maintenance & Overhauls – this had progressed very well with all vessels out and ready for Easter and work completed under budget. The Board noted that there had been fewer issues with the vessels and the team had done well. R Drummond reported that a great deal of work had been done on the specifications provided to yards. There would be a lessons learned process which would include the yards.
- Port staff costs **[FOISA Status – Exemption under Section 33 (Commercial Interests and the Economy)]** – it was proving challenging to reduce port staff numbers and an analysis was currently underway.
- Farebox Revenue – this was on target.

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

#### 5.2.1.2 2018/19 Group Financial Year Outlook

This was noted.

#### 5.2.1.3 Group Balance Sheet as at 28 February 2019

This was noted.

### 5.2.2 CHFS2 Contract Year 2 Performance

#### 5.2.2.1 Summary Contract Year 3 Financial Performance

This was noted.

#### 5.2.2.2 Contract Variations & Funding Update

R Drummond reported as follows:

CY3-015 Loose Freight – an interim solution had been put in place in Mallaig with a permanent solution to be applied shortly

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

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

#### 5.2.2.3 Performance Penalties Deductions

The Board noted the data.

#### 5.2.2.4 Bid Commitments Update

Confidential

This was noted.

5.2.3.1 **Gourock-Dunoon Summary Contract Year 7: April-January 2019 Financial Performance**

This was noted.

5.2.3.2 Performance Penalty Deductions - AFL

This information was noted.

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

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

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

6. **ANY OTHER BUSINESS**

6.1 **STORNOWAY STAKEHOLDER MEETINGS**

The Board discussed the stakeholder meetings held in Ullapool and Stornoway over the last few days:

- It was agreed that they had been positive and a good use of time with a number of press interviews also carried out.

J Stirling commented that R Drummond's press release the previous summer had aided community understanding of the situation regarding the vessels, **[FOISA Status - Exemption under Section 30 (Prejudice to Effective Conduct of Public Affairs)]**.

- The Stornoway port plans were noted, including potential opportunities for freight sailings to bring over construction materials.
- Positive feedback had been received on the use of local crew, Gaelic language announcements and interaction with Outer Hebrides Tourism.

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

- The Board had heard from local business people who had outlined their challenges including getting building materials shipped in and the impact of delays to goods.
- CalMac had worked hard on communications with information provided to stakeholders ahead of public announcements and the recently set-up IOCC having made a difference.
- Hauliers had indicated concerns regarding the lack of specific freight boat, cancellation of sailings and no information on the progress of the STAG from Transport Scotland.

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

6.2 **CALMAC COMMUNITY BOARD UPDATE**

A Campbell, Chair of the CalMac Community Board, reported that the Board visit to Ullapool & Stornoway and stakeholder meetings had been excellent and included opportunities to discuss business views of the ferry service.

He updated the Board on the work of the CalMac Community Board as follows:

- Awareness of the Community Board within communities was increasing. Board members had been very active across the network.
- Ian Macfarlane's 'Strengthening Communities' initiative pilot programme was being delivered that day.
- Subgroups had been formed as follows:

Confidential

- Fleet Resilience – a great deal of work had been done and meetings had been held with Transport Scotland and the Minister. It was becoming more apparent, publicly, that decisions regarding vessels did not sit with CalMac.
- Customer Services – a report was being prepared for the next Community Board by Angus Campbell(2) from Cumbrae following information input from CalMac. R Drummond commented that the things that Angus Campbell(2) had not appreciated CalMac already did were probably things that the wider public did not appreciate CalMac did and there was, therefore an opportunity for communication.
- Communications – discussions had been held with the CalMac IT Director covering issues such as ticketing system improvements and Wi-Fi. R Drummond confirmed that the Communications subgroup's input had been welcomed.
- Minister (P Wheelhouse) would be attending the next Community Board.
- Community Fund – this had been well received and Community Board members had been active in mentioning it to communities.
- There had been meetings with Community Councils and a visit to Barra which had been very positive. A major issue was inter-island capacity - tourists wish to do a circuit and this impacts capacity available for local businesses. The Hebridean Way was also being promoted heavily. S Browell commented that this was both a barrier and an opportunity.
- Freight ferry requests
- STAG appraisal – where was it?
- Vessel resilience funds – how were they used?
- Masters decision process information – this was an item for the next Community Board.
- Environmental activity including single-use plastics.

R Drummond reported that the influence of the Community Board on the Minister had helped Transport Scotland make the decision to approve the spend for the new ticketing system. D Mackison suggested that the Community Board may wish to be included in CalMac's MSP engagement events.

**Action:** It was agreed that there should be another joint DML-Community Board meeting in autumn 2019, preferably on the network.

RD (BF)

It was noted that the Community Board input to the disabled seating labelling and school transport issues was very much appreciated.

*At this point A Campbell left the meeting.*

7. **DATE OF NEXT MEETING**

Wednesday 24 April 2019 at 9 a.m.

Signed:  
**D C McGibbon**  
Chairman

Date: