

Confidential

DAVID MACBRAYNE LIMITED ("DML")
MINUTES of the BOARD MEETING
held on Wednesday 22 January 2020 at 10.30 a.m.

in the Lewis meeting room, 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)
D Mackison (DM)
J Stirling (JS)
A Tait (AT)

In attendance: R Hadfield (RH) – Assessor, Transport Scotland
J Beckett (JB) – Finance Director
S R Griffin (SRG) – Company Secretary

Item	Action
1. <u>GOVERNANCE</u>	
1.1 SAFETY MOMENT D McGibbon commented that two cruise ships had collided in harbour in the Caribbean. M Comerford noted that people often became more casual in harbour and may well not follow processes properly. Also both cruise ships were from the same company which may have also contributed to a lessening of formal processes. D Mackison commented that there had been UK government confirmation that no further smart motorways would be launched following a number of fatalities. The principle of smart motorways had originally been accepted but had been revisited and he noted that there may be scope for CalMac to revisit accepted processes.	
1.2 APOLOGIES FOR ABSENCE There were no apologies for absence.	
1.3 DECLARATIONS OF INTEREST There were no declarations of interest in addition to those previously declared.	
1.4 [FOISA Status - Exemption under Section 30 (Prejudice to Effective Conduct of Public Affairs)]. A Tait reported that the Internal Audit provider (PWC) contract would be extended for 12 months	
1.5 [FOISA Status - Exemption under Section 30 (Prejudice to Effective Conduct of Public Affairs)].	SRG
1.6 ACTION LOG The action log was discussed as follows:-	

Confidential

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

D Mackison updated the Board on progress regarding recruitment for Business Development.

66.19 AUDIT & RISK COMMITTEE (ARC) – 13 NOVEMBER 2019

It was noted that the Director's Duties Briefing Note had been reviewed by the ARC then circulated to the Board.

DM

Action: S R Griffin to look at the Northern Lighthouse Board Commissioners Handbook for production of something in a similar format.

J Stirling advised that the Handbook was no longer available online but was available upon request.

SRG

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

2. **STRATEGIC ITEMS**

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

3. **CHAIRMAN'S UPDATE**

3.1 **CHAIRMAN APPOINTMENT UPDATE**

R Hadfield reported that the formal process had been completed in December and the output passed to the Minister. There had been confirmation that D McGibbon would remain in post until the conclusion of the process. It was felt that R Hadfield should write to the candidates to give them an update on progress of the Transport Scotland process.

3.2 **CHAIRMAN AND CEO NETWORK TRIP**

D McGibbon reported that he and D Mackison had recently undertaken a useful network tour including meetings with commercial customers. It was noted that R McKinnon of Outer Hebrides Tourism had been supportive of CalMac during a recent radio interview.

R Drummond confirmed that there had been social media postings regarding the recent additional sailing.

4. **BOARD COMMITTEES**

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

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

4.2 **SAFETY COMMITTEE – 3 DECEMBER 2019**

J Stirling reported that the Safety Committee had focused on strategic matters including risk, as well as the traffic management reviews. He noted that he would seek further clarification that all Safety Committee changes had been incorporated into the Annual Environmental Report and Annual Safety Report. R Drummond confirmed that the Executive Summary Reports would be drawn up once the main reports had received approval.

R Hadfield queried whether the carbon footprint reduction figure of 6.5% was correct. The Board discussed the carbon reduction target and noted that CO2 per passenger km was the industry standard measurement. **[FOISA Status - Exemption under Section 30 (Prejudice to Effective Conduct of Public Affairs)].**

Action: J Stirling agreed to take these issues to the Safety Committee for discussion.

JS

J Stirling reported that the increasing sense of professionalism on safety and navigation had allowed the Safety Committee to look at other areas of their remit including occupational health

Confidential

matters and he reported that CalMac were the only ferry operator currently carrying out health surveillance. He commented that the recent work on the capability of vessels was potentially a big step forward.

4.3 **REMUNERATION COMMITTEE (REMCO) – 13 NOVEMBER 2019 & 3 DECEMBER 2019 AND 13 JANUARY 2020**

It was noted that the Remuneration Committee minutes had been previously circulated. S Hagan updated the Board on the most recent Remuneration Committee meeting including the identification and mitigation of risks confirmed by management. D Mackison updated the Board on progress with this matter to date and confirmed that a transition/handover and appropriate communications would be undertaken. The Board discussed the communications likely to be required.

S Hagan reported that there would be a discussion at the next Remuneration Committee on the process for similar matters in the future.

5. **GROUP REPORTS**

5.1 **GROUP CEO REPORT**

The Board noted the report from D Mackison and he reported as follows.

Key Activities This Month:

- Northern Lighthouse Board – the NLB CEO had indicated that he was keen to look at areas of collaboration.

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

Key Activities Next Month:

- E&Y – the organisational change initial meeting would take place later in the week.
- LGBTQ+ training in Oban.

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

5.2 **GROUP FINANCE UPDATE**

The Board noted the report from J Beckett covering to end December and CY4.

5.2.1 **DML Group Financial Results – end December 2019**

5.2.1.1 **Group Profit & Loss versus Plan**

- Operating profit was **[FOISA Status – Exemption under Section 33 (Commercial Interests and the Economy)]** YTD, against Plan of **[FOISA Status – Exemption under Section 33 (Commercial Interests and the Economy)]**, Net Operating Profit after Business Development & SGL 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)]**.
- Key variances were:
 - Farebox Revenue was positive to Plan: **[FOISA Status – Exemption under Section 33 (Commercial Interests and the Economy)]** YTD.
 - Support Services was positive to Plan due to vacancies and IT efficiencies.
 - Other Revenue (including 3rd party pier dues and consultancy work) was positive to Plan.
 - Crewing was positive to Plan **[FOISA Status – Exemption under Section 33 (Commercial Interests and the Economy)]** YTD with absence rates costs offset by savings on crew training.
 - Vessel maintenance including overhauls were negative to Plan **[FOISA Status – Exemption under Section 33 (Commercial Interests and the Economy)]**
 - Project spend was **[FOISA Status – Exemption under Section 33 (Commercial Interests and the Economy)]**

RD

Confidential

➤ in December and included business improvement investment in the Gourrock Office, MV Hebridean Isles crew accommodation and Office 365 as well as Ar Turas and Project Torridon. It was noted that CalMac had chosen to improve the MV Hebridean Isles crew accommodation for staff welfare reasons. The MV Isle of Arran crew accommodation also needed to be done **[FOISA Status – Exemption under Section 33 (Commercial Interests and the Economy)]**

➤ Vessel Operations – Fuel – adverse variance was noted, although the additional fuel costs would be covered by the grant. **[FOISA Status – Exemption under Section 33 (Commercial Interests and the Economy)]** fuel savings (of planned **[FOISA Status – Exemption under Section 33 (Commercial Interests and the Economy)]**) had been achieved through a reduction of 6-7% in fuel usage which was an absolute carbon reduction.

Action: R Drummond to discuss adding this achievement to the Annual Environmental Report.

➤ **[FOISA Status – Exemption under Section 33 (Commercial Interests and the Economy)]**. She noted that she would give consideration to showing investment in the business (e.g. IT systems) as below the line figures.

JB

Action: J Beckett was asked to provide a DML Balance Sheet from the end of CHFS1 Contract together with the current position for the next Board meeting.

J Beckett confirm that the figures assumed approval of Contract Variations.

It was noted that Retail revenue had improved and R Drummond confirmed that there remained opportunities in this area and there would be discussions on strategy, targets and the EPOS system when the new Commercial Director started. He confirmed that there was a KPI covering spend per passenger.

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

5.2.1.1 Full Year 19/20 Forecast Update

➤ This was **[FOISA Status – Exemption under Section 33 (Commercial Interests and the Economy)]** – ahead of the previous forecast figure – and included additional revenue benefit and additional overhaul & in-service maintenance risk.

5.2.1.2 Group Balance Sheet as at 31 December 2019

➤ Group cash balance was **[FOISA Status – Exemption under Section 33 (Commercial Interests and the Economy)]**, reducing per seasonal impacts. Retained profit and shareholder funds were noted and the Board highlighted that the business had not required additional funding **[FOISA Status – Exemption under Section 33 (Commercial Interests and the Economy)]**

5.2.2 **CHFS2 Contract Year 4 Performance**

5.2.2.1 Key Highlights

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

Action: J Beckett to produce a full year forecast for CY4 and forecast to CY8 for the next Board.

JB

5.2.2.2 Contract Variations (CVs) & Funding Update

This was noted and was an agenda item for the CFL Board.

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

Confidential

JB

5.2.2.4 Bid Commitments Update

This was noted.

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

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

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

6. **ANY OTHER BUSINESS**

6.1 **NETWORK VISITS**

The Board discussed potential locations for the network visits in 2020 (following those to the Outer Hebrides, Islay and Mull in 2019). Locations such as Dunoon, Bute, the Small Isles, Skye, Barra and Uist were to be considered. It was agreed that consultation should be undertaken with Transport Scotland to avoid stakeholder consultation fatigue. It was also suggested that areas that may also be suitable for business development opportunities (e.g. harbour operations) should be considered.

6.2 **UN CLIMATE CHANGE CONFERENCE**

M Comerford noted that the UN Climate Change Conference was being held in November 2020 in Glasgow and there may be opportunities to hold promotional events for the journalists - in liaison with Visit Scotland and the Scottish Government.

Action: D Mackison would liaise with S Wilson on this matter.

Action: R Hadfield agreed to provide the contact details for the Scottish Government Climate Change Conference representative.

DM

RH

6.3 **RURAL ECONOMY AND CONNECTIVITY COMMITTEE – 801 & 802 INQUIRY**

It was noted that the REC Committee 801 & 802 inquiry had commenced earlier in the day.

6.4 **STAKEHOLDER MEETINGS WITH MINISTER**

R Hadfield reported that the Mull & Iona Ferry Committee had met with the Minister. It was suggested that communicating with CalMac prior to these meetings to source information for the Minister's briefing rather than for correction of factual information after the meetings would be a more efficient process. It was agreed that CalMac and Transport Scotland would discuss the best approach.

6.5 **DML ASSESSOR ROLE**

R Hadfield reported that he had now changed roles and was responsible for strategic policy. His replacement had been appointed but would not move into the role until the NIFS bid work had completed. It had not yet been confirmed that the new appointee would become the DML Assessor and this may be a matter for discussion with F Pacitti.

6.6 **GOUROCK LINKSPAN**

The Board discussed the options for a port of refuge for certain sailings and it was noted that Transport Scotland had now made a decision that Gourock should be the port of refuge and CMAL had been asked to produce a report outlining the required repairs to Gourock pier and linkspan and timescales.

Confidential

6.7 **PARLIAMENTARY RECEPTION**

D Mackison confirmed that this was booked for 10 March 2020.

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

7. **DATE OF NEXT MEETING**

Wednesday 25 March 2020 at 10.30 a.m. (location TBC).

Signed:

D C McGibbon, Chairman

Date: