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DAVID MACBRAYNE LIMITED ("DML")
MINUTES of the BOARD MEETING
held on Wednesday 25 March 2020 at 10.30 a.m.
by video/audio conference

[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
- L De Wolff (LDW) – Director of HSQE (part)
- S R Griffin (SRG) – Company Secretary

Item	Action
1. GOVERNANCE	
1.1 SAFETY MOMENT	
D Mackison reported that all those staff that could work at home were now doing so. However there remained small groups of staff working on the network under pressure and it was difficult to provide support to them. He commented that it was important to consider staff mental wellbeing during the current Covid-19 crisis.	
A Tait noted that there were issues in wider society with people not heeding guidance and D Mackison confirmed that staff were being put in a difficult position with members of the public expecting them to enforce Government guidance.	
1.2 APOLOGIES FOR ABSENCE	
There were no apologies for absence although it was noted that F Pacitti may not be able to attend the Board meeting and R Hadfield was attending in her place.	
1.3 DECLARATIONS OF INTEREST	
There were no declarations of interest in addition to those previously declared.	
1.4 MINUTES FROM BOARD MEETING OF 22 JANUARY 2020	
The Minutes of the Board meeting held on 22 January 2020 were APPROVED and the Chairman was AUTHORISED to sign the minutes.	

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A Tait requested that a formal action be added to the log from the Minutes of 22 January as below:

6.4 STAKEHOLDER MEETINGS WITH 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.

Action: It was agreed that CalMac and Transport Scotland would discuss the best approach.

DM

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

1.5 **ACTION LOG**

The action log was discussed as follows:-

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

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. 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.

DM

It was noted that the NLB Guide to Governance had now been received from NLB and would be reviewed. C/fwd.

69.19 TRANSPORT SCOTLAND UPDATE

F Pacitti asked how environmental performance was recorded and R Drummond confirmed that CalMac produced an Annual Environmental Report which was submitted to Transport Scotland.

Action: R Drummond agreed to ensure next Annual Environmental Report WAS sent directly to F Pacitti.

SRG

The summary report was being produced and would be completed by end March. C/fwd.

3.20 CARBON FOOTPRINT

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. They further discussed that the data appeared to show that running smaller ships, particularly in winter, would be more carbon efficient and that the Transport Scotland vessel strategy would need to take account of this.

RD

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

J Stirling reported that this would go to the next Safety Committee. C/fwd.

4.20 GROUP FINANCE UPDATE - DML Group Financial Results – end December 2019 – Group Profit & Loss versus Plan

- Vessel Operations – Fuel – **[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 **[FOISA Status – Exemption under Section 33 (Commercial Interests and the Economy)]** in fuel usage which was an absolute carbon reduction.

JS

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

This action would be captured under 69.19 Annual Environmental Report Summary. C/fwd.

5.20 GROUP FINANCE UPDATE - DML Group Financial Results – end December 2019 - Group Profit & Loss versus Plan

RD

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.

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This had been produced but submission to the Board postponed due to Covid-19 prioritisation (& would be included in 6.20). C/fwd.

JB

6.20 GROUP FINANCE UPDATE CHFS2 Contract Year 4 Performance - Key Highlights

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

This had been produced but submission to the Board postponed due to Covid-19 prioritisation.

C/fwd.

JB

All other actions were complete or would be covered under Agenda items.

At this point L De Wolff joined the meeting.

2. **STRATEGIC ITEMS**

2.1 **COVID-19 UPDATE**

D Mackison reported that the Executive Team were doing a great job and that updates were being provided regularly to the Board. He reported that the situation had changed quickly the previous week and an early decision had been taken to move to crisis mode. There was a structured management response with Executive Team briefings at 9am chaired by L De Wolff, using business-wide information updated into a template and with agreed actions logged and monitored. These were followed by cascade meetings at 11.30am and further meetings in the afternoons.

There had been initial Ministerial concern at the reduced timetable proposed but this had changed as the crisis had worsened. There had been discussions on enforcement of restrictions but the situation had improved following Government guidance on Sunday and Monday. Government guidance was clear and a protocol had been received from Transport Scotland which was working well with few issues experienced.

R Drummond reported that the business was tracking key drivers such as rates of infection and absences and was looking to balance government policy with staff availability both now and in the future. The decision had been made early to remain with the Winter timetable and then to switch to a slimmed down Essential Lifeline Timetable (c.50% of the winter timetable) which would go live the following day. Management felt this timetable, which would free up a number of crews to fill in on other vessels, was sustainable. R Drummond confirmed that hours of work and fatigue were being borne in mind and were factors in moving to a reduced service.

Traffic had reduced by 70-80%, with commercial traffic reduced by 30%. There had been engagement with communities who had been supportive of action taken and discussions had taken place with hauliers regarding supply chains. R Drummond confirmed that the new timetable (including the two routes that would cease) would be communicated to all stakeholder including emergency services.

L De Wolff reported that he had been liaising with the MCA regarding allowing passengers to remain in their vehicles on the car deck and this had been approved for the four medium-sized vessels with the MCA considering further changes. The MCA had also reduced mandatory training requirements in the short term.

R Drummond reported that ports were under pressure and the new reduced timetable with a shorter sailing day would both reduce staff exposure and alleviate resource pressure. The contact centre was under significant pressure: new bookings for travel before 15 July had been suspended, a new online refund process had been introduced with bookings & refunds being processed online freeing up contract centre staff to deal with significant issues. The plan was to

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put the new timetable in place for three weeks then move to the normal winter timetable with the normal summer timetable launched in July – if circumstances allowed. R Drummond advised that staff had responded brilliantly to the crisis and certain CalMac staff had been given essential worker status.

L De Wolff reported that the structure the business was working within was well delineated and controlled with operational protocols being updated daily. It was noted that the underlying assumptions were clear and the decisions made were being tracked.

R Drummond confirmed that PPE had not been provided for staff however significant cleaning regimes had been implemented. He confirmed that there were regular discussions with the trade unions who had been supportive of the actions taken. **[FOISA Status - Exemption under Section 30 (Prejudice to Effective Conduct of Public Affairs)]**. R Drummond confirmed that the majority of temporary summer staff were required for catering/retail and these services had been suspended while reduced PC crewing levels had agreed with the MCA and port offices would be operating reduced hours. **[FOISA Status - Exemption under Section 30 (Prejudice to Effective Conduct of Public Affairs)]**

R Drummond reported that there were regular communications to all staff and to masters and port managers by email and text and regular video calls were being held.

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

D Mackison reported that HR were reviewing staff retention and 'furloughing' across the employee base and this would be balanced against crew required to operate the timetable and staff being kept in reserve for anticipated increased absences.

D Mackison reported that discussions had started with other providers and Transport Scotland regarding interoperability with other services.

The Board noted their support for the work being done and felt that the reaction to the crisis was being handled in a professional manner. D McGibbon noted that these were extraordinary times and he acknowledged the work of the Executive Team and the staff and stated that the health & safety, wellbeing and morale of staff was a key priority.

At this point L De Wolff left the meeting.

3. **CHAIRMAN'S UPDATE**

3.1 **RURAL ECONOMY & CONNECTIVITY COMMITTEE INQUIRY INTO 801 & 802**

D McGibbon noted that D Mackison and R Drummond had appeared at the REC Committee Inquiry and had represented the company well, accurately communicating CalMac's role in this process. Transport Scotland and CMAL had appeared in later sessions.

3.2 **PARLIAMENTARY RECEPTION**

The Parliamentary Reception held at Holyrood had been very successful. It had been hosted by Alistair Allan, MSP and attended by a number of MSPs from across the different parties including cabinet members. The Transport Minister, P Wheelhouse, and Transport Scotland representatives had also attended.

3.3 **CHAIRMAN RE-APPOINTMENT**

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D McGibbon confirmed that he had been re-appointed as Chairman for a final one-year period until November 2020. He reported that a process to appoint a vice-chair had commenced although clearly this would be impacted by current circumstances. **[FOISA Status - Exemption under Section 30 (Prejudice to Effective Conduct of Public Affairs)]**

4. **BOARD COMMITTEES**

4.1 **AUDIT & RISK COMMITTEE (ARC) – 12 FEBRUARY 2020**

The Board noted the draft minutes of the meeting held on 12 February 2020 and A Tait reported that the Committee had held a useful review of its effectiveness (also attended by S Hagan and M Comerford) and this was, in due course, to go to the Board together with the other Committee reviews as part of its own review of effectiveness.

A Tait reported that PWC had contacted the ARC regarding the completion of the 19/20 internal audit plan completion and the ARC had agreed that under the current circumstances there would be no requirement to complete the remaining two audits.

Decision

Given that there would not be an ARC meeting before the end of the 19/20 year, the Board ratified the decision taken by the ARC members that there would be no requirement to complete the remaining two audits of the 19/20 internal audit plan given the Covid-19 pandemic.

A Tait noted that PWC's internal audit services contract had been extended for one year and it was still intended to run an internal audit re-tender exercise this year.

Action: J Beckett would confirm with the Head of Procurement that this remained part of the Procurement Team's planned work for the year.

JB

4.2 **SAFETY COMMITTEE – 12 FEBRUARY 2020**

The Board noted the draft minutes of the meeting held on 12 February 2020.

4.3 **REMUNERATION COMMITTEE (REMCO)**

S Hagan reported that there was a Remuneration Committee scheduled after the Board meeting.

5. **GROUP REPORTS**

5.1 **GROUP CEO UPDATE**

D Mackison reported on the strategic projects for which he had previously circulated an email update to the Board as below:

- **[FOISA Status - Exemption under Section 30 (Prejudice to Effective Conduct of Public Affairs)]**
- Delivering Strategic Change within DML – EY were reviewing the business' approach to integrated change and, as part of this work, would be seeking individual conversations with Board members.
- **[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 February and CY4.

5.2.1 **DML Group Financial Results – end February 2020**

5.2.1.1 **Group Profit & Loss versus Plan**

- **[FOISA Status – Exemption under Section 33 (Commercial Interests and the Economy)]**
Operating profit/(loss) for the month **[FOISA Status – Exemption under Section 33**

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(Commercial Interests and the Economy)] against Plan of **[FOISA Status – Exemption under Section 33 (Commercial Interests and the Economy)]**, with major disruptions across the network due to weather. Operating profit YTD was **[FOISA Status – Exemption under Section 33 (Commercial Interests and the Economy)]** with a forecast Net Operating Profit forecast around breakeven by end March.

JB

➤ Key variances were:

- Farebox Revenue was negative to Plan at **[FOISA Status – Exemption under Section 33 (Commercial Interests and the Economy)]** for the month.
- Vessel Operations (including crewing) was negative to Plan at **[FOISA Status – Exemption under Section 33 (Commercial Interests and the Economy)]** for the month & **[FOISA Status – Exemption under Section 33 (Commercial Interests and the Economy)]** YTD
- CVs impact was **[FOISA Status – Exemption under Section 33 (Commercial Interests and the Economy)]** YTD

5.2.1.2 Support Services 19/20 Spend Overview

This was noted.

5.2.1.3 Net Group profit split by DML Group Company

This was noted.

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

5.2.1.5 Group Balance Sheet as at 29 February 2020

The Group cash balance was **[FOISA Status – Exemption under Section 33 (Commercial Interests and the Economy)]** and J Beckett reported that, given the Covid-19 pandemic, a detailed cash flow analysis was now being undertaken **[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

This was noted.

5.2.2.2 Contract Variations (CVs) & Funding Update

This was noted and had been discussed earlier in the meeting.

5.2.2.3 Performance Penalties Deductions

This was noted.

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)]**

5.2.4 **DML Group Position**

The Board discussed the financial position of the DML Group business. J Beckett confirmed that the Finance Team were looking at credit terms for debtors and would build anticipated issues for commercial customers into the financial forecast.

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5.3 **20/22 BUSINESS PLAN**

The report from J Beckett was noted. D Mackison reported that a number of meetings had been held before the turn of the year **[FOISA Status - Exemption under Section 30 (Prejudice to Effective Conduct of Public Affairs)]**. A target margin had been introduced and there had been additional challenge on costs with teams given efficiency targets.

J Beckett reported that this Plan (which did not include the Kilcreggan route) had been drawn up before the Covid-19 pandemic and applied to normal working conditions **[FOISA Status - Exemption under Section 30 (Prejudice to Effective Conduct of Public Affairs)]**

She presented the strategy map which started with the core goals, up through DML group goals and onto Transport Scotland key strategic outcomes and shareholder value and outlined the detailed core goals.

Group Financial Plan 2020/21 and 2021/22

The Board noted the following:

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

J Beckett confirmed that the work to look at CY4-8 forecasting had been carried out however this paper had been pulled from the Board Agenda to allow greater focus on Covid-19. **[FOISA Status – Exemption under Section 33 (Commercial Interests and the Economy)]**

Group Profit /(Loss) – Year-on-Year Key Movements Summary

J Beckett highlighted the key variances year-on-year and assumptions.

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

Key Assumptions per Area

J Beckett outlined the key assumptions for Commercial, Operations/Operational Planning (which included the key deliverable of Crewing Principles) and Asset Management. The 'Projects' assumptions were noted and R Drummond confirmed that some projects would be continuing on the assumption of force majeure funding – but may have to be stopped if circumstances dictate.

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

JB

Business Plan – Risks

J Beckett outlined the risks identified at the time this Plan was put together. Covid-19 had subsequently been added **[FOISA Status – Exemption under Section 33 (Commercial Interests and the Economy)]**

Business Plan – Opportunities

These were noted.

Group Profit /(Loss) – 2 Year Plan 2020/22

The Board noted the breakdown of the Plan by line.

The Board discussed the Plan and noted that a great deal of work had been done on planning that was now academic however this Plan would act as a view of the business and a point of comparison before the Covid-19 pandemic impacts.

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

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6. **ANY OTHER BUSINESS**

6.1 **BUSINESS PRIORITY**

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

6.2 **TRANSPORT SCOTLAND UPDATE**

R Hadfield reported that Transport Scotland appreciated the assistance being provided to communities by CalMac. He updated the Board on governmental activity as follows:-

- There was likely to be a Ministerial announcement shortly on a fares increase deferral.
- The next sessions of the REC Committee Inquiry with the relevant Ministers had been postponed.
- **[FOISA Status - Exemption under Section 30 (Prejudice to Effective Conduct of Public Affairs)].**

7. **DATE OF NEXT MEETING**

Scheduled - Wednesday 27 May 2020 at 10.30 a.m. Covid-19 Board briefings to be scheduled.

Signed:

D C McGibbon, Chairman

Date: