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Aviation, Maritime, Freight & Canals Directorate

Clyde and Hebrides Ferry Services

**Contract for the Provision of Ferry Services
Between the Scottish Ministers and
Calmac Ferries Ltd**

**Part 1
Contract and Schedules 1-5
22 AUGUST 2016
TS/MTRIPS/SER/2015/01**

**PUBLISHED VERSION
JULY 2017**

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Executed Contract 22.08.16

Clyde and Hebrides Ferry Services
Contract for Provision of Ferry Services

**CLYDE AND HEBRIDES FERRY SERVICES
CONTRACT FOR THE PROVISION OF FERRY SERVICES**

PART 1

CONTRACT AND SCHEDULES 1-5

**22 AUGUST 2016
TS/MTRIPS/SER/2015/01**



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Public Service Contract

Between

The Scottish Ministers

And

Calmac Ferries Ltd

Dated: 22 AUGUST 2016



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PART A**PUBLIC SERVICE CONTRACT****BETWEEN:**

THE SCOTTISH MINISTERS, Victoria Quay, Edinburgh, EH6 6QQ (who and whose successors are referred to as the **Scottish Ministers**)

and

Calmac Ferries Ltd incorporated in Scotland (Company No SC 302282) and having its registered office at Ferry Terminal, Gourock, PA19 1QP (who and whose permitted assignees are referred to as **the Operator**)

WHEREAS

- A. The Scottish Ministers wish to continue to support ferry links within the Clyde and Hebrides for the purpose of securing access to the Clyde and Hebrides by public transport links providing a continuing, safe, stable and affordable regime for users;
- B. The Scottish Ministers may in terms of section 70 of the Transport (Scotland) Act 2001 make grants on such conditions as they determine;
- C. Life-line ferry services in the Clyde and Hebrides are currently provided by CalMac Ferries Limited in accordance with a Grant Agreement dated 20 September 2007;
- D. CalMac Ferries Limited will cease to provide these ferry services when that Grant Agreement terminates at 00:00 hours on the 1 October 2016 and thereafter the Services will be provided by the Operator in accordance with this Contract;
- E. Following an open, transparent and non-discriminatory public tender process the Scottish Ministers have entrusted public service obligations in relation to the provision of ferry services in the Clyde and Hebrides to the Operator and agreed to compensate the Operator for the Services on the terms and conditions set out in this Contract.

SECTION A: INTRODUCTORY PROVISIONS

1 Definitions And Interpretation

1.1 In this Contract, words and expressions, except where the context otherwise requires, will have the meanings assigned to them in paragraph 1 of Schedule 1 and paragraph 2 of Schedule 1 applies to the interpretation of this Contract.

2 Principal Contracts And Conditions Precedent

2.1 The Operator will on the date of execution hereof execute the Principal Contracts and will within seven days of the date of execution hereof deliver to the Scottish Ministers two certified copies of each of the executed Principal Contracts (except the Tripartite Agreement or Charter Documents as specified in Schedule 2).

2.2 The Operator shall perform all of its obligations under the Principal Contracts and shall not exercise any right to terminate the same without giving Scottish Ministers 30 days' notice.

2.3 The obligation of the Scottish Ministers to pay the Grant or any Monthly Instalment under this contract is subject to the condition that the Scottish Ministers have received all of the documents and other evidence of the completion of activities listed in schedule 2 all in the form and substance satisfactory to the Scottish Ministers.

3 Contract Period

3.1 The Contract takes effect on 22 August 2016 (the "Mobilisation Date") and the Services will commence on 1 October 2016 at 00:00 hours (the "Commencement Date"). The Contract expires on 1 October 2024 at 00.00 hours (the "Expiry Date"), unless it is terminated earlier under Clause 55.

4 Due Diligence

4.1 The Operator acknowledges that it shall be deemed to have:

4.1.1 made its own enquiries to satisfy itself as to the accuracy and adequacy of any information or data supplied to it by or on behalf of the Scottish Ministers;

4.1.2 raised all relevant due diligence questions with the Scottish Ministers;

4.1.3 satisfied itself as to the nature and extent of the risks and obligations assumed by it under this Contract; and

4.1.4 entered into this Contract in reliance on its own due diligence alone.

4.2 Without prejudice to the foregoing generality Operator acknowledges that:

4.2.1 it has not entered into this Contract in reliance of the accuracy of any information or data provided by Scottish Ministers

4.2.2 the use of, or reliance upon, any of the information or data supplied by Scottish Ministers is entirely at the Operator's own risk; and

4.2.3 except where expressly provided in this Contract, the Operator shall have no entitlement, under this Contract or otherwise, to any relief from its obligations or to claim any additional expenses in relation to the performance of its obligations on grounds that it has used or relied upon any information or data supplied to it by or on behalf of the Scottish Ministers.

4.3 Any disputes relating to due diligence shall be resolved through the Dispute Resolution Procedure.

5 Mobilisation

5.1 Within 14 days of the Mobilisation Date, the Operator shall develop and refine the draft Mobilisation Plan (annexed hereto as Schedule 6) and obtain the approval of Scottish Ministers, who shall be deemed to have approved the draft Mobilisation Plan unless they provide comments thereon to the Operator within 14 days of receipt of the draft Mobilisation Plan. If the Scottish Ministers and the Operator do not agree the draft Mobilisation Plan within 10 days of receipt by the Operator of the Scottish Ministers' comments then any such dispute shall be resolved through the Dispute Resolution Procedure. The finalised Mobilisation Plan, as approved by Scottish Ministers, or following resolution of any dispute, shall replace the draft Mobilisation Plan in Schedule 6.

5.2 Scottish Ministers shall be entitled to discuss the draft Mobilisation Plan with the Outgoing Operator and CMAL.

5.3 During the Mobilisation Period the Operator shall:

5.3.1 implement the Mobilisation Plan to the satisfaction of the Scottish Ministers;

5.3.2 co-operate fully with the Outgoing Operator to implement the Outgoing Operator's Handover Assistance Plan and ensure a smooth transition and uninterrupted provision of the Services;

5.3.3 acquire sufficient capacity to deliver the Services in accordance with the terms of this Contract including (without limitation) appointing the Key Personnel.

5.4 The Operator must provide the Scottish Ministers with weekly reports as to the performance of and progress under the Mobilisation Plan and notify the Scottish Ministers of, and permit them, or their representatives, to attend meetings with, third parties whose participation or cooperation is required to achieve completion of Mobilisation Plan.

5.5 Scottish Ministers shall authorise the commencement of the Services on the Commencement Date if the Operator has complied fully with the requirements of the Mobilisation Plan. If the Operator has not, in the reasonable opinion of Scottish Ministers, complied fully with such requirements then Scottish Ministers shall inform the Operator in writing of any faults and deficiencies and Scottish Ministers shall have the right, at its sole option, without prejudice to its other rights and remedies under the Contract and after taking into account all representations made by the Operator, to do any of the following:-

5.5.1 extend the Mobilisation Period for such period as shall be specified by the Scottish Ministers to allow the Operator to correct the fault or deficiency; or

5.5.2 terminate the employment of the Operator under the Contract, or terminate the provision of any part of the Services, if the fault or deficiency is material and has not been remedied (if capable of remedy) within 10 days of receipt by the Operator of the written notice specifying the fault or deficiency; or

5.5.3 authorise the commencement of the Services provided that the Operator shall use best endeavours to correct as soon as possible the fault or deficiency.

5.6 The Operator shall implement any Post Commencement Activities identified in the Mobilisation Plan in accordance with the timetable set out therein. If the Operator fails to implement the Post Commencement Activities in accordance with the Mobilisation Plan then the provisions of 5.5 shall apply *mutatis mutandis*.

SECTION B: SERVICES

6 Services

6.1 The Operator must employ the Vessels to provide the Services in accordance with the Timetable from the Commencement Date and throughout the Grant Period.

6.2 The Operator must ensure that the Services are provided throughout the Grant Period in accordance with:

6.2.1 The provisions of Schedule 3 (Services).

6.2.2 Applicable Law including but not limited to all Applicable Law relating to the Vessels, their registration, operation and maintenance, all vessel and crew safety requirements and all relevant health and safety requirements;

6.2.3 The Performance Measures;

6.2.4 The Plans;

6.2.5 All other provisions of Schedules 4-17.

6.3 The obligation on the Operator in this Clause 6 to provide the Services does not preclude the Operator (with the consent of CMAL in relation to the Fleet Vessels) from using the Vessels for any other purpose, provided that the obligation to provide the Services has been and continues to be satisfied in accordance with this Contract. The Operator must consult with the Scottish Ministers and obtain their consent to use the Vessels for any purpose other than the provision of the Services which has the potential to impact upon the Services or the Grant.

6.4 In providing the Services the Operator may at any time during the Grant Period Cascade such of the Vessels as it considers appropriate, providing that such Cascade does not, without the consent of the Scottish Ministers, result in a material or permanent change to the Scheduled Ferry Services. The Operator shall, as soon as practicable, inform the Scottish Ministers on each occasion that a vessel is Cascaded, including the reason for, and expected duration of, the Cascade.

6.5 If at any time any Vessel is unable to undertake or complete a voyage for any reason, the Operator shall if specifically directed by the Scottish Ministers and if the Scheduled Ferry Services cannot be provided by Cascading, use all reasonable endeavours to provide the Services by employing a vessel or vessels other than the Vessels. Any such substitute vessel(s) shall meet all relevant regulatory requirements and shall be insured by the Operator to a level at least equivalent to that required for the Vessel which is being replaced (or such other level as may be appropriate having regard to the specification of the vessel in question). As soon as the need to employ a replacement or substitute vessel arises, the Operator must provide the Scottish Ministers

with all of the following documents in relation to that substitute vessel, all in form and substance satisfactory to the Scottish Ministers:

- 6.5.1 a charterparty or other evidence of the Operator's entitlement to the employment of such vessel as contemplated;
- 6.5.2 evidence of insurance at least equivalent to that required for the Vessel which is being replaced;
- 6.5.3 all certificates required by the MCA or other relevant regulatory body; and
- 6.5.4 such other information as the Scottish Ministers may reasonably require to satisfy themselves that the proposed vessel is capable of providing the Services.

In the event of an emergency or if the need to employ a replacement or substitute Vessel (other than a Cascaded Vessel) is urgent then the Operator must provide Scottish Ministers with the foregoing documents as soon as reasonably practicable.

6.6 The Scottish Ministers may require the Operator to explain any default or failure (including any default or failure attributable to a Relief Event) in the provision of the Services and such explanation must be given in any manner, in such detail and within any reasonable timescale specified by the Scottish Ministers.

6.7 The Scottish Ministers may at any time contact any of the Ports to obtain information about or relating to the Services and the Operator must sign such documents and carry out such acts as required to facilitate the provision of such information by the relevant Port and will use its reasonable endeavours to procure that any relevant Port complies with such a request.

6.8 During periods of Scheduled Unavailability and/or in the event of a Relief Event the Operator must:

- 6.8.1 use all reasonable endeavours to minimise the disruption to the Services; and
- 6.8.2 provide reasonable notice and reasonable assistance to users of the Services to minimise the disruption suffered by them.

6.9 The Operator must advise the Scottish Ministers in writing of any events or circumstances which it claims constitute a Relief Event and must do so as soon as reasonably practicable after becoming aware of any such events or circumstances and, in any event, within 5 Business Days after the end of the relevant month. Failure to so

advise the Scottish Ministers will prevent the Operator from claiming that the relevant events or circumstances constitute a Relief Event.

6.10 During periods of Scheduled Unavailability, the Operator must comply with the Scheduled Maintenance Programme and the Performance Regime.

7 Fares

7.1 The Operator must, throughout the Grant Period, publish the tariff for the Services which will apply for each Tariff Period to passengers and vehicles (the RET Tariff), coaches (the Trade Tariff), and commercial vehicles (the Commercial Vehicle Tariff) (which tariffs are collectively referred to as the Published Tariff Scheme). The Operator must not, without the consent of the Scottish Ministers, charge rates in excess of the Published Tariff Scheme.

7.2 The Published Tariff Scheme for the period from the Commencement Date to the commencement of the 2017/18 Tariff Period will be the tariff scheme set out in Schedule 4.

7.3 The Published Tariff Scheme for the 2017/18 Tariff Period and each successive Tariff Period shall be produced by the Operator in accordance with the following provisions:

7.3.1 The RET Formula shall be reviewed by Scottish Ministers on an annual basis. Scottish Ministers shall provide the Operator with an updated RET Formula by July in each Service Year.

7.3.2 The Operator shall apply the updated RET Formula to the RET tariff and the Trade Tariff.

7.3.3 The Operator shall increase the Commercial Vehicle Tariff by Tariff Index Linking the Commercial Vehicle Tariff for the immediately preceding Tariff Period.

7.4 The Operator must seek the consent of the Scottish Ministers (not to be unreasonably withheld or delayed) to the proposed Published Tariff Scheme for each Tariff Period no later than 6 Months prior to the commencement of the relevant Tariff Period, excepting the Trade Tariff element of the Published Tariff Scheme where the Operator must seek the consent of the Scottish Ministers no later than 18 Months prior to the commencement of the relevant Tariff Period.

7.5 If the Operator wishes to adjust the Published Tariff Scheme by any amount other than by the RET Formula or Tariff Index Linking (as appropriate) the Operator must seek the consent of the Scottish Ministers (such consent or refusal not to be unreasonably delayed) to any proposed increase or decrease no later than the relevant date for application for consent to the proposed tariff scheme under Clause 7.4 above.

7.6 The Operator shall publish and implement any Discount Policy notified to the Operator by Scottish Ministers.

7.7 The Operator must not offer or vary preferential tariffs or discounts to achieve the effect of reducing the Published Tariff Scheme, except in accordance with the Discount Policy, without the consent of the Scottish Ministers (such consent or refusal not to be unreasonably delayed).

7.8 The Scottish Ministers are entitled to require the Operator to increase or reduce the Published Tariff Scheme or to amend or remove the Discount Policy in whole or in part at any time by issuing to the Operator a Revised Tariff Structure or a Discount Policy Variation. The Revised Tariff Structure and/or Discount Policy Variation will come into effect as the Published Tariff Scheme and/or Discount Policy for all purposes on the date or dates specified by the Scottish Ministers which date or dates must not be less than two months after the date of issue of the Revised Tariff Structure and/or Discount Policy Variation. The Scottish Ministers are entitled to specify that different parts of the Revised Tariff Structure and/or Discount Policy Variation will come into effect as the Published Tariff Scheme or Discount Policy on different dates.

7.9 Any adjustment by an amount other than Tariff Index Linking under Clause 7.3 including the setting of the RET Formula which departs from Tariff Index Linking or a Revised Tariff Structure or Discount Policy Variation will be deemed to be a Contract Variation to which Clause 14 applies.

7.10 The amounts calculated by applying the RET Formula or Tariff Index Linking to the Published Tariff Scheme for the immediately preceding Tariff Period must be rounded up to the next £0.05.

7.11 Where the proposed tariff for any Unscheduled Ferry Services differs from that set out in the Published Tariff Scheme for the relevant sailing, the tariff for those Unscheduled Ferry Services shall be published by the Operator and prior notice of publication shall be given to the Scottish Ministers.

8 Timetable

8.1 The Operator must throughout the Grant Period publish the Timetable for the Services which will apply for each Service Year, in accordance with the provisions of Schedule 3. The Timetable for the period from the Commencement Date until the commencement of the 2017/18 Service Year shall be the Interim Timetable.

8.2 The Operator must provide the Services in accordance with the Timetable except during any period of Scheduled Unavailability, or in the event of a Relief Event, including where it is necessary to adjust the times as a direct and unavoidable consequence of tidal conditions.

8.3 The Operator may with the prior consent of the Scottish Ministers (such consent or refusal not to be unreasonably delayed) make permanent changes to the departure and arrival times of any sailing set out in the Timetable provided that all necessary consultation has been carried out pursuant to Clause 40 prior to the Operator seeking to make any such changes. The Operator must give the Scottish Ministers not less than 45 Business Days' notice of any proposed alterations to the Timetable. For the avoidance of doubt, any such proposal will not have the effect of reducing the number of sailings or otherwise materially altering the Services. Scottish Ministers shall not unreasonably withhold their consent if the proposed changes to the Timetable arise from a requirement to comply with Applicable Law, any harbour works affecting the Services, or the coming into service of a New Vessel or the permanent Cascade of a Vessel.

8.4 On making changes in accordance with this Clause 8, the Operator must publish a revised Timetable at least 20 Business Days prior to the revised Timetable coming into effect and shall take all reasonable steps to publicise such changes to the public and the travel trade.

8.5 The Operator may with the consent of the Scottish Ministers (not to be unreasonably withheld or delayed) provide sailings additional to those specified in the Timetable on such occasions as the Operator considers to be appropriate and to meet seasonal demand in accordance with the Operator's proposals for demand management. The Operator must give the Scottish Ministers not less than 20 Business Days' notice of any proposed additional sailings. If the Scottish Ministers grant consent they will be entitled to impose such conditions as they in their sole discretion consider to be necessary or desirable. Operating Costs and Revenue arising out of or associated with any additional sailings shall be accounted for in accordance with Clause 20

8.6 The Operator shall provide the Unscheduled Ferry Services and the Associated Lifeline Services to meet seasonal or other demand. The Operator shall give Scottish Ministers reasonable notice of any Unscheduled Ferry Services and the Associated Lifeline Services and the Scottish Ministers will be entitled to impose such conditions as they in their sole discretion consider to be necessary or desirable. Operating Costs and Revenue arising out of or associated with Unscheduled Ferry Services and Associated Lifeline Services shall be accounted for in accordance with Clause 20.

9 Marketing Plan

9.1 The Operator must implement the Marketing Plan in accordance with Schedule 7, and to the satisfaction of the Scottish Ministers.

9.2 The Operator must market the Services in accordance with the Marketing Plan and review the Marketing Plan from time to time or when so requested by the Scottish Ministers, and must update the Marketing Plan as appropriate within such reasonable timescale as Scottish Ministers may specify.

10 Health And Safety Plan

10.1 The Operator must implement the Health & Safety Plan in accordance with Schedule 8 and to the satisfaction of the Scottish Ministers.

10.2 The Operator must provide the Services in accordance with the Health and Safety Plan and review the Health and Safety Plan from time to time or when so required by any change of circumstance or when so requested by the Scottish Ministers, and must update the Health and Safety Plan as appropriate within such reasonable timescale as Scottish Ministers may specify.

11 Environmental Management Plan

11.1 The Operator must implement the Environmental Management Plan in accordance with Schedule 9 and to the satisfaction of the Scottish Ministers.

11.2 The Operator must provide the Services in accordance with the Environmental Management Plan and review the Environmental Management Plan from time to time or when so required by any change of circumstance or when so requested by the Scottish Ministers, and must update the Environmental Management Plan as appropriate within such reasonable timescale as Scottish Ministers may specify.

12 Register Of Transferring Assets And Subcontracts

12.1 The Operator shall keep and maintain a register of Transferring Assets (the Transferring Assets Register) which shall detail all Transferring Assets acquired or improved by the Operator (whether acquired from the Outgoing Operator on or after the Mobilisation Date or in accordance with Clause 24) together with their acquisition and/ or improvement costs, current condition and current value, and a register detailing all subcontracts and other relevant agreements required for the performance of the Services (the Subcontracts Register).

12.2 The Operator shall maintain the Transferring Assets Register in such format as is required by Scottish Ministers and shall update the Transferring Assets Register from time to time and in particular in the event that Transferring Assets are added to or removed from the Services.

12.3 The Operator shall ensure that all Transferring Assets are clearly marked to identify that they are the property of the Operator only for the purposes and duration of the Services and shall revert on the expiry of the services to the property of the Incoming Operator, or the Scottish Ministers in the event that there is no Incoming Operator, and shall ensure that they are exclusively used for the provision of the Services under this Contract.

12.4 The Operator shall (unless otherwise agreed by the Scottish Ministers in writing) procure that all sub-contracts and other agreements with third parties (other than CMAL), which are necessary to enable the Scottish Ministers (and/or its nominee) to perform the Services in accordance with this Contract shall be assignable and/or capable of novation at the request of the Scottish Ministers to the Scottish Ministers (and/or its nominee) upon the Operator ceasing to provide the Services without restriction (including any need to obtain any consent or approval) or payment by the Scottish Ministers.

12.5 Where the Operator is unable to procure that any sub-contract or other agreement referred to in Clause 12.4 above which the Operator proposes to enter into after the Mobilisation Date is assignable and/or capable of novation to the Scottish Ministers (and/or its nominee) without restriction or payment, the Operator shall promptly notify the Scottish Ministers of this and the parties shall (acting reasonably and without undue delay) discuss the appropriate action to be taken which, where the Scottish Ministers so directs, may include the Operator seeking an alternative subcontractor, to be agreed with the Scottish Ministers.

13 Performance Management

13.1 The Operator shall comply with the Performance Regime and deliver the Service in accordance with the Performance Measures, all as is set out in Schedule 15 (Performance Regime).

14 Variations To The Services

14.1 For the avoidance of doubt the parties agree that no variation to the Services shall occur or be deemed to have occurred through course of conduct or otherwise but only through the application of the provisions of this Clause 14.

14.2 Operational Variations shall be processed in accordance with this Clause 14 below. If either Party is in doubt as to whether a variation falls within the definition of a Contract Variation or an Operational Variation it shall be processed as a Contract Variation. Urgent Variations shall be processed in accordance with this Clause 14 below.

Contract Variation

14.3 The Scottish Ministers may from time to time during the Grant Period issue a Contract Variation Notice to the Operator requiring a variation to the Services. A Contract Variation Notice may only be issued if:

14.3.1 the Scottish Ministers, acting reasonably, have concluded that the public transport links in the Clyde & Hebrides are, or are about to become, inadequate or inappropriate for any reason;

14.3.2 the Scottish Ministers wish to vary, add or remove any route in the Clyde and Hebrides;

14.3.3 a Harbour or Port is not available or has suffered operational restrictions or is scheduled to suffer operational restrictions;

14.3.4 a New Vessel is delivered to the Operator by CMAL for use in the Services or a Vessel is removed by CMAL and ceases to be available for the operation of the Services.

14.4 The Operator may request that the Scottish Ministers issue a Contract Variation Notice where it considers that the Services may be varied to improve economy efficiency and effectiveness.

14.5 The Contract Variation Notice must specify, in sufficient detail to allow the Operator to provide the Evaluation in accordance with Clause 14.6, the additional, reduced, or altered Services including, (without limitation) any changes to the routes or Timetable, that the Scottish Ministers, acting reasonably, consider to be necessary to restore or maintain adequate or appropriate transport links in the Clyde and Hebrides

Evaluation

14.6 On receipt of a Contract Variation Notice, the Operator shall notify the Scottish Ministers if it reasonably believes that the proposed Contract Variation would not be technically feasible or would infringe any law or be inconsistent with good industry practice. In the absence of such a notification or notwithstanding such a notification where the Scottish Ministers direct that further examination of the Contract Variation Notice should proceed, the Operator must deliver to the Scottish Ministers a written evaluation (the Evaluation) of the Contract Variation as soon as practicable and in any event within such reasonable time as the Contract Variation Notice may stipulate. The Evaluation must include at a minimum the following information (in so far as relevant):

14.6.1 details of any effects the Contract Variation may have on Operating Costs, Revenue, Operator's Return, the Fuel Management Programme or the provision of the Services;

14.6.2 a Revised Base Case incorporating changes to the Operating Costs, Revenue, Operator's Return, the Fuel Management Programme and any other changes to the Base Case as are appropriate and reasonable in the circumstances and will result in the Operator being in no better or worse a position than it was prior to the Variation being implemented other than in relation to any alteration to the Operator's Return which may be reasonable to compensate the Operator for any increased risk, effort or capital required in respect of the Contract Variation;

14.6.3 any proposed changes to any of the Plans;

14.6.4 the proposed programme for the commencement and implementation of the Contract Variation, including any proposed amendment (and reason therefor) to any dates set out in the Contract Variation Notice;

14.6.5 any changes to the provisions of this Contract reasonably required as a consequence together with any matters on which implementation of the Contract Variation may be at any time conditional including if appropriate the consent of CMAL or any other third party.

14.7 As soon as reasonably practicable after the Scottish Ministers receive an Evaluation from the Operator, the Parties must discuss and identify the issues set out or inferred in the Evaluation.

14.8 In such discussions, the Scottish Ministers may modify the Contract Variation Notice and the Operator must, as soon as practicable after the receipt of such modification, and in any event within a timescale stipulated by the Scottish Ministers, provide a revised Evaluation with any consequential changes, including revisions to the estimated cost of the Contract Variation and any other relevant details.

14.9 If the Parties do not agree the contents of the Evaluation then the Dispute will be determined in accordance with the Dispute Resolution Procedure.

14.10 As soon as reasonably practicable after the contents of the Evaluation have been agreed or otherwise determined in accordance with the Dispute Resolution Procedure the Scottish Ministers must confirm in writing whether or not they wish (at their sole discretion) to accept the Contract Variation.

Operational Variation

14.11 Any change identified by the Operator to improve operational efficiency of the Services, whether through the Continuous Improvement Plan process or otherwise, (an Operational Variation) may be implemented by the Operator without following the Contract Variation Notice procedure, provided that it does not:

14.11.1 have a material impact on the users of the Services;

14.11.2 have a material impact on the Operational Costs, Revenue or the Fuel Management Programme;

14.11.3 require the consent of a third party, including CMAL;

14.11.4 require a variation to the Contract; or

14.11.5 involve the Scottish Ministers in paying any additional Grant and/or Monthly Instalments.

The Operator shall promptly notify the Scottish Ministers of the implementation of any such Operational Variation.

14.12 The Scottish Ministers may request an Operational Variation by issuing a written request for operational variation (RFOV) to the Operator, which shall include details of the proposed Operational Variation and the timescale for completion.

14.13 The Operator shall inform the Scottish Ministers of any impact on the Services which may arise from the Operational Variation

14.14 The Operator shall implement the Operational Variation within the timescale specified for completion in the RFOV, and shall promptly notify Scottish Ministers when the Operational Variation is implemented.

14.15 Not used

Urgent Variation

14.16 The parties acknowledge that there may be circumstances where a variation to the Services requires to be implemented urgently to protect the safety of passengers, crew, employees, livestock, cargo, the vessels and the ports or to ensure the continued provision of the Services (an "Urgent Variation"). On the express verbal instructions of the Scottish Ministers' Representative or Senior Scottish Ministers' Representative an Urgent Variation shall be implemented by the Operator without delay, and shall be confirmed in writing by Scottish Ministers within 7 days and shall be ratified by the Parties in accordance with the applicable provision of this clause 14.

Implementation of a Variation

14.17 In the event that a Contract Variation has been confirmed by the Scottish Ministers in accordance with this Clause 14:

14.17.1 the Scottish Ministers must issue a Contract Variation Form to be signed by the Operator;

14.17.2 the Contract will be read and construed as varied by the Contract Variation Form; and

14.17.3 the Operator must implement the Variation in accordance with the Contract Variation Form,

except to the extent varied by a Contract Variation Form, the whole terms and conditions of the Contract shall remain in full force and effect.

14.18 The Operator will not be required to implement any Contract Variation which:

14.18.1 would cause the Operator to breach Applicable Law;

14.18.2 would materially and adversely affect the health and safety of any person;

14.18.3 would (if implemented) materially change the nature of the Services.

14.19 Subject to Clause 14.20 the Operator and the Scottish Ministers shall each meet their own expenses in connection with any Contract Variation.

14.20 Scottish Ministers may request from time to time that the Operator provides expertise and assistance in relation to the development and evaluation of proposals and/or feasibility assessments in connection with the Services including (without limitation) management, operational or financial advice. The Operator shall be entitled to reimbursement of any reasonable actually incurred and verifiable costs and expenses in connection with the provision of any such consultancy services. The Operator shall provide the Scottish Ministers on request with an estimate of the costs prior to undertaking any consultancy services. Scottish Ministers shall decide whether a proposal is a request for consultancy services in accordance with this Clause or a Contract Variation. Any dispute as to whether a proposal is a request for consultancy services or a Contract Variation shall be resolved through the Dispute Resolution Procedure.

15 Continuous Improvement

15.1 The Operator shall have an ongoing obligation throughout the Grant Period to identify new or potential improvements to the Services pursuant to which it will regularly review the Services and the manner in which it is providing the Services with a view to reducing the operational costs and/or improving the quality and efficiency of the Services. The Operator shall produce and keep updated a Continuous Improvement Plan which it shall review with the Scottish Ministers on a regular basis and at least once in every Service Year.

15.2 Any variations to the Contract, required to implement or effect any improvements identified in the Continuous Improvement Plan, shall be subject to the Contract Variation procedure set out at Clause 14 and the Operator shall implement any improvement at no additional cost to the Scottish Ministers.

15.3 The Operator shall ensure that the information that it provides to the Scottish Ministers in the Continuous Improvement Plan shall be sufficient for the Scottish Ministers to decide whether any improvement to the Services should be implemented. The Operator shall provide any further information that the Scottish Ministers reasonably

requests in connection with any improvements to the Services identified in the Continuous Improvement Plan.

16 Pre-Expiry

16.1 The Operator must throughout the Contract collect and preserve and upon the request of the Scottish Ministers made at any time during the last 18 Months of the Grant Period (or if the Scottish Ministers shall have given notice under Clause 57 at any time after the date of such notice), supply the Scottish Ministers with all such information regarding the Services including (without limitation) the Vessels and their operation, employees, passenger numbers and other matters (including the like information as regards key subcontractors) which the Scottish Ministers may require (of which the Scottish Ministers will be the sole judges) for all purposes connected with the inviting of tenders from persons interested in becoming the Incoming Operator and for the purposes of evaluating any such tender. A non-exhaustive list of information which is likely to be sought under this Clause is set out at Schedule 14 Part B.

16.2 For the avoidance of doubt, any request made for the purposes described in Clause 12 must be complied with within any such timescale as the Scottish Ministers may specify in any such request, and may not only require the provision of data or information which is held by the Operator in the format requested, but also the collection and collation of that information or data where considered necessary by the Scottish Ministers.

16.3 The Operator shall provide, on reasonable notice, to the Scottish Ministers and/or (subject to any potential Incoming Operators entering into reasonable written confidentiality undertakings) to any potential Incoming Operator, access to the Vessels, and any other facilities employed in the provision of the Services, for the purposes of inspection and carrying out due diligence (including for the avoidance of doubt the carrying out by any potential Incoming Operator of passenger surveys) provided that such rights of access and inspection do not interfere with the performance by the Operator of its obligations under this Contract or any of the Principal Contracts.

16.4 Where the Scottish Ministers have appointed an Incoming Operator, the Operator must cooperate with the Scottish Ministers and the Incoming Operator to ensure smooth handover and uninterrupted provision of the Services. The Scottish Ministers will be entitled to require the Operator to transfer the trade mark or trade name under which the Services are operated or marketed and all association rights to an Incoming Operator for no consideration.

16.5 The Operator will, within three months after the Commencement Date, deliver to Scottish Ministers a Handover Assistance Plan which sets out the Operator's proposed methodology during the Transfer Assistance Period for achieving an orderly transition of Services from the Operator to the Scottish Ministers and/or its proposed Incoming Operator on the expiry or termination of this Contract and which complies with the requirements set out Clause 16.6 below. Within 30 days after the submission of the Handover Assistance Plan, each Party will use their respective reasonable endeavours to agree the contents of the Handover Assistance Plan. If the parties are unable to agree the contents of the Handover Assistance Plan then such dispute shall be resolved in accordance with the Dispute Resolution Procedure.

16.6 The Handover Assistance Plan will contain, as a minimum:

16.6.1 separate mechanisms for dealing with expiry and early termination, the provisions relating to early termination being prepared on the assumption that the Operator may be unable to provide the full level of assistance which is required by the provisions relating to expiry, and in the case of, early termination provision for the supply by the Operator of all such reasonable assistance as the Scottish Ministers shall require to enable the Scottish Ministers or its subcontractors to provide the Services;

16.6.2 the management structure to be employed during both transfer and cessation of the Services, on expiry and early termination; and

16.6.3 a detailed description of both the transfer and cessation processes, including a timetable, applicable in the case of expiry or an early termination procedures to deal with requests made by the Scottish Ministers and/or an Incoming Operator for Staffing Information pursuant to Schedule 11 (Staff Transfer).

16.7 The Operator will review and (if appropriate) update the Handover Assistance Plan in the first month of each Service Year (commencing with the second Service Year) to reflect any changes in the Services. Following such update the Operator will submit the revised Handover Assistance Plan to the Scottish Ministers for review. Within 30 days following submission of the revised Handover Assistance Plan, the parties shall meet and use reasonable endeavours to agree the contents of the revised Handover Assistance Plan, based on the principles set out in this schedule and any changes that have occurred in the Services since the Handover Assistance Plan was last agreed. If the parties are unable to agree the contents of the revised Handover Assistance Plan within that 30 day

period, such dispute shall be resolved in accordance with the Dispute Resolution Procedure.

16.8 The Operator shall implement the Handover Assistance Plan in accordance with its terms to the satisfaction of Scottish Ministers.

SECTION C: GRANT

17 Purpose Of Grant

17.1 The Scottish Ministers will make advances on receipt of a Grant Claim Form by way of grant (the Grant) to the Operator towards provision of the Services during the Grant Period calculated in accordance with Clauses 18 to 26 and Schedule 13.

17.2 The Grant must be used solely to meet part of the costs and expenses of provision of the Services including the Operator's Return in accordance with this Contract and for no other purpose whatsoever.

17.3 For the avoidance of doubt it is specifically declared that the Grant is a subsidy only and not a payment for services provided or to be provided to the Scottish Ministers. Accordingly, any payment made by the Scottish Ministers to the Operator under this Contract does not represent consideration for a taxable supply for VAT purposes and so VAT will not be payable in respect of any such payment.

17.4 If it is determined by HM Revenue and Customs that the Operator is liable to account for VAT in respect of any payment made by the Scottish Ministers to the Operator, the Scottish Ministers must pay VAT in addition to such payment within 14 days after delivery of:

17.4.1 written evidence of such determination;

17.4.2 a valid VAT invoice; and

17.4.3 an undertaking from the Operator:

17.4.3.1 promptly to refund to the Scottish Ministers such VAT if it is determined not to be chargeable; and

17.4.3.2 to make (at the expense of the Scottish Ministers) such representations and appeals as the Scottish Ministers may reasonably request in respect of such determination.

18 Calculation Of Grant

18.1 The Grant must not be revised except in accordance with Clauses 14, 18 to 26 and Schedule 13.

18.2 The Base Case will show the projected cumulative difference between Operating Costs (including the Operator's Return), and the Revenue for each Service Year. For the first Month of the Grant Period the Operating Costs shall include the Mobilisation Costs incurred prior to the Commencement Date. Any Mobilisation Costs due in respect of post Commencement Date activities shall be included in the Operating Costs which relate to the Month in which such costs are incurred in accordance with the Mobilisation Plan.

18.3 The Fuel Management Programme will be submitted by the Operator to the Scottish Ministers not less than 30 Business Days before the Commencement Date and not less than 30 Business Days before the commencement of each Service Year thereafter. The Fuel Management Programme will be based on the figures shown in the Base Case and show the Projected Fuel Liability for the next Service Year, by Month and by Vessel. If during the Service Year to which the Fuel Management Programme relates the price of fuel increases, then the Fuel Management Programme may be revised to reflect the higher price of fuel on a quarterly basis by the Operator submitting the revised Fuel Management Programme to the Scottish Ministers not less than 30 Business Days prior to the end of each 3 month period commencing at the start of each Service Year. A revised Fuel Management Programme must be submitted on a similar basis where the price of fuel reduces by 10% or more.

18.4 The Grant for each Service Year will be:

(a) the projected cumulative difference between Operating Costs (including the Operator's Return) and Revenue, for that Service Year as shown in the Base Case, or any Revised Base Case, together with;

(b) the Projected Fuel Liability, as shown in the Fuel Management Programme; and

(c) any Capital Supplement

18.5 the Grant will be paid by Monthly Instalments in accordance with Schedule 13;

18.6 the Monthly Instalment for any Month will be:

(a) one twelfth of the projected difference between Operating Costs (including for the avoidance of doubt Operator's Return plus any Mobilisation Costs due in

accordance with Clause 18.2) and Revenue for the relevant Service Year, all as shown in the applicable Base Case; together with;

(b) the Projected Fuel Liability for that Month, as shown in the Fuel Management Programme; and

(c) any Capital Supplement due.

18.7 The Operator shall develop, implement and maintain a Grant management reporting system and shall collect, preserve and report on Data as indicated in Schedule 14 Part B.

19 Annual Grant Reconciliations

19.1 An annual reconciliation of the Grant paid by Monthly Instalments in respect of each Service Year (or part thereof if the initial and final service periods are less than 12 months) will be undertaken in accordance with the provisions of Schedule 13, Part A, Paragraphs 4 and 5.

20 Grant Adjustment: Revised Base Case Recalculation

20.1 If any of the events set out in Schedule 13, Part A, Paragraph 3, occur, either Party may require a Revised Base Case Recalculation.

20.2 The Operator shall submit in the 3 month period prior to 30 September 2020 a Revised Base Case Recalculation for the period 1 October 2022 to 30 September 2024 along with such evidence and explanations as may be required by the Scottish Ministers to justify any changes proposed. Operator shall at a minimum provide evidence in relation to the following:

- (a) a breakdown of the profit and cost components that comprise the relevant Operating Costs;
- (b) details of the movement in the different identified Operating Costs;
- (c) reasons for the movement in the different identified Operating Costs;
- (d) evidence that the Contractor has attempted to mitigate against the increase or exploited the decrease in the relevant Operating Costs; and
- (d) details of any relevant changes to Revenue

Scottish Ministers shall consider any Revised Base Case Recalculation submitted in accordance with this clause 20.2 and shall notify the Operator within a reasonable timescale if, in its sole discretion, the Scottish Ministers wish to accept the Revised Base Case Recalculation (or any parts therefore) including any increases or decreases in Operational Costs and Grant which the Scottish Ministers in their sole discretion consider are reasonably justifiable. For the avoidance of doubt, the Operator's Return shall not be subject to any increase or decrease

20.3 Any Revised Base Case Recalculation (or any parts therefore) accepted by Scottish Ministers in accordance with clause 20.2 shall come into effect as the Revised Base Case for Service Years 7 and 8.

21 Grant Adjustment: Changes In Applicable Law

21.1 The Operator shall neither be relieved of its obligations to provide the Services in accordance with the terms of this Contract nor be entitled to an increase in Grant as the result of:

21.1.1 a General Change in Applicable Law; or

21.1.2 a Specific Change in Applicable Law where the effect of that Specific Change in Applicable Law on the Services is known on or before the Contract Award Date.

21.2 In the event that there is a Specific Change in Applicable Law (other than as referred to in Clause 21.1.2) such that as a consequence of such change the Operator incurs an unavoidable material change in Operating Costs or is reasonably likely to suffer an unavoidable material change in Revenue then the Operator must advise the Scottish Ministers and either Party will be entitled to request a Revised Base Case Recalculation in accordance with Schedule 13 Part A, Paragraph 3.1.

22 Performance Deductions

22.1 Without prejudice to and in addition to the rights of the Scottish Ministers under any other provisions of this Contract, where the Operator has failed to meet any of the Performance Measures, the Scottish Ministers may make deductions (Performance Deductions) from Monthly Instalments in accordance with the provisions of Schedule 13, Part A, Paragraphs 5.12 - 5.16.

23 Resolution Of Grant Disputes

23.1 If there is any dispute between the parties arising out of or in connection with the Grant, a requested Grant adjustment, the Actual Outcome Statement, or Annual Fuel Statement, (“a Grant Dispute”) then any such Grant Dispute shall be resolved through the Dispute Resolution Procedure. The Monthly Instalments will be adjusted by the net effects of such amounts as are not in dispute pending the resolution of the dispute.

24 Capital Supplements

24.1 The Scottish Ministers may, in accordance with Schedule 13, Paragraph 6 make advances by way of grant to the Operator towards the provision or improvement of Transferring Assets. Where the Transferring Asset is an IT system the Capital Supplement may be used subject to the agreement of the Scottish Ministers to pay for costs arising from procurement, project management, development work securing Intellectual Property Rights that will allow the Scottish Ministers to use the system and preparation for deployment, but shall not cover the costs of any managed services contract or staff for the operation or maintenance of the system.

25 Public Sector Contributions

25.1 If the Operator receives any contribution in connection with the Services (except the Grant) either in cash or in kind from any public sector body (including any government body, institution or fund of the European Union, local authority, statutory undertaking or other body wholly or substantially funded by public money) the Scottish Ministers are entitled to reduce the Grant by the amount of such contribution (Public Sector Contribution).

25.2 The Operator must notify the Scottish Ministers immediately if:

25.2.1 the Operator makes an application for any Public Sector Contribution in connection with the Services;

25.2.2 the Operator receives notification that it will receive, or will receive an offer of, any Public Sector Contribution in connection with the Services; or

25.2.3 the Operator receives any Public Sector Contribution in connection with the Services,

and any such notification must give full details of the Public Sector Contribution applied for, offered or received as the case may be.

26 State Aid Determinations: Recovery Of Grant

26.1 The Scottish Ministers may withhold payment of the Grant or any part of it or reclaim the Grant or any part of it) and the Operator must repay any such sum within 20 Business Days together with interest (as determined by the European Commission in accordance with Article 10 of Commission Regulation (EC) No 794/2004 (OJL 140, 30.4.2004, p.1) and the Commission notice on the method for setting the reference and discount rates (OJ C 273, 9.9.1997 p. 3)) if required to do so by the European Commission, the European Court of Justice or any court in Scotland pursuant to Article 107 of the Treaty on the Functioning of the European Union and/or Applicable Law. The Scottish Ministers must use reasonable endeavours (subject to any objection of confidentiality imposed) to advise the Operator in the event that the Scottish Ministers receive any notification which will or may lead to a request to reclaim the Grant and, if so authorised by the European Commission, provide copies of any such notification and relevant communications.

26.2 In the event of any determination by the European Commission, European Court of Justice or any Scottish Court requires repayment of the Grant or any part of it then the provisions of Clause 55.2 will apply.

SECTION D: STAFF INVOLVED IN THE PROVISION OF THE SERVICES**27 Transfer Of Staff**

27.1 The Parties acknowledge that the commencement and the expiry or termination of this Contract may constitute a relevant transfer for the purposes of the Employment Regulations. The provisions of Schedule 11 Part C (Staff Transfer - TUPE) will apply on such commencement, expiry or termination.

Key Personnel

27.2 Prior to the Commencement Date the Operator shall prepare and deliver to the Scottish Ministers a completed schedule of Key Personnel in accordance with Schedule 11.

27.3 The Operator shall obtain the prior written consent of the Scottish Ministers (which shall not be unreasonably withheld or delayed) before removing or replacing any member of the Key Personnel from their corresponding role during the Grant Period, and, where possible, at least one month's written notice must be provided by the Operator of its intention to replace any member of Key Personnel from their corresponding role.

27.4 The Operator acknowledges that the Key Personnel are essential to the proper provision of the Services and shall ensure that the role of any Key Personnel is not vacant for any longer than 10 Business Days and that any replacement shall be as or more qualified and experienced as the previous incumbent of such role and is fully competent to carry out the tasks assigned to the role of the member of Key Personnel whom he or she has replaced.

HR Strategy

27.5 The Operator must implement the HR Strategy in accordance with Schedule 11 and to the reasonable satisfaction of the Scottish Ministers and review the strategy from time to time or when so required by any change of circumstance or when so requested by the Scottish Ministers, and must update or confirm the strategy at least once a year as appropriate.

28 Pensions

28.1 The Operator shall, and shall procure that any sub-contractor which is an Associated Company (“Relevant Sub-Contractor”) shall, in respect of each of the CalMac Pension Fund, the Merchant Navy Officers Pension Fund, the Merchant Navy Officers Pension Plan and the Merchant Navy Ratings Pension Plan (“the Pension Schemes”) apply to enter into a participation agreement in order to become a Scheme Employer in respect of each of the Pension Schemes with effect from the Commencement Date, and thereafter shall, and shall procure that any Relevant Sub-Contractor shall, ensure that, for the duration of the Grant Period:

28.1.1 each Outgoing Operator Employee who is an active member of (or was entitled to become a member of) a Pension Scheme at the Commencement Date will be entitled, during the whole period that such Outgoing Operator Employee is involved in the provision of the Services, to remain (or become) an active member of that Pension Scheme on substantially the same terms as those offered whilst employed by the Outgoing Operator and that service under the said Pension Scheme is where relevant treated as continuous; and

28.1.2 All Eligible Employees are offered membership of the CalMac Pension Fund, subject to the trustees of the CalMac Pension Fund consenting to the admission of new members to the CalMac Pension Fund who are employed by the Operator wholly or mainly in the provision of the Services.

28.2 The provisions of clause 28.1 shall be directly enforceable by an affected employee against the Operator or any Relevant Sub-Contractor and the parties agree that, notwithstanding the provisions of clause 46.1, such employees shall have a jus quaesitum tertio to the extent necessary to ensure that any affected employee shall have the right to enforce any obligation owed to such employee by the Operator or any Relevant Sub-Contractor under clause 28.1.

28.3 In the event that:

28.3.1 any Pension Liability arises during the Grant Period or as a consequence of the expiry or earlier termination; and

28.3.2 the Operator becomes liable for the Pension Liability

then Scottish Ministers shall indemnify the Operator and any Relevant Sub-Contractor if and to the extent that the Operator or Relevant Sub-Contractor is required to make a contribution(s) to the CalMac Pension Fund in respect of that Pension Liability.

SECTION E: INFORMATION AND INTELLECTUAL PROPERTY

29 Data Protection

29.1 The Operator will be a Data Controller in respect of any Personal Data it obtains through the operation of this Contract.

29.2 The Operator must comply at all times with the requirements of the Data Protection Act 1998.

30 Freedom Of Information

30.1 The Operator must do all things necessary to facilitate the Scottish Ministers' compliance with the Freedom of Information (Scotland) Act 2002 and/or the Environmental Information Regulations 2004 which will include but may not be limited to:

30.1.1 transferring all requests for information which it receives regarding the Services to the Scottish Ministers within 2 Business Days of receipt; and

30.1.2 where the Scottish Ministers receive a request for information in relation to Information that the Operator is holding on their behalf and which the Scottish

Ministers do not hold themselves the Scottish Ministers shall refer to the Operator such request for information that they receive as soon as reasonably practicable and in any event within 5 Business Days of receiving a request for information and the Operator must provide the Scottish Ministers with a copy of all such information in the form that the Scottish Ministers require as soon as practicable and in any event within 10 Business Days (or such other period as the Scottish Ministers acting reasonably may specify) of the Scottish Ministers' request.

30.2 The Operator may make representations to the Scottish Ministers as to whether or not or on what basis information requested should be disclosed.

31 Confidentiality

31.1 The Operator must keep secret and not disclose (and procure that the Operator's employees keep secret and do not disclose) any information of a confidential nature obtained by the Operator by reason of this Contract except information which is in the public domain otherwise than by reason of a breach of this provision. Notwithstanding the foregoing, the Operator must, unless otherwise directed by the Scottish Ministers, acknowledge in all promotional and publicity material relating to the Services the financial support given to the provision of the Services through the Grant.

31.2 The Scottish Ministers may publish or disclose this Contract or any part of it, any information concerning the Contract or matters arising out of or in connection with it, the performance of the Operator under the Contract and any other information as it may deem appropriate from time to time. The Scottish Ministers must use their best endeavours to notify the Operator prior to publishing or disclosing any such information directly relating to the Operator, and must take account of any representations which the Operator may make in connection herewith.

31.3 Notwithstanding any of the foregoing provisions of this Clause 31, or any other provision of this Contract either Party may disclose any information:

31.3.1 as required by law or judicial order to be disclosed;

31.3.2 to its professional advisers provided always that the recipient of the information is subject to the same obligation of confidentiality as that contained herein.

31.4 The Operator must not, and must ensure and procure that its agents, employees, representatives and subcontractors do not, except with the prior approval of the Scottish

Ministers (which may be granted subject to such conditions as the Scottish Ministers see fit):

31.4.1 communicate with representatives of the press, television, radio or other communications media on any matter concerning the Contract; or

31.4.2 disclose to third parties any information obtained by it from the Scottish Ministers under or in connection with the Contract.

31.5 The provisions of this Clause 31 will not apply to any information which may reasonably be required to be disclosed to any party by the Scottish Ministers for the purposes of seeking an Incoming Operator, including any information requested by the Scottish Ministers in accordance with Clause 16.

31.6 The obligations imposed by this Clause 31 will continue to apply after the expiry or termination of this Contract.

32 Intellectual Property Rights

32.1 The Operator agrees that the ownership of and the right to exploit all forms and aspects of Intellectual Property Rights in any Transferring Assets, or created by the Operator wholly and exclusively in connection with the provision of the Services (including without limitation any IT systems, booking tools or website), shall belong to the Scottish Ministers and, accordingly, the Operator hereby assigns to the Scottish Ministers all property rights which it may have in such assets, including Intellectual Property Rights and that for the full term of such Intellectual Property Rights and all renewals and extensions thereof and waives such rights (including but not limited to moral rights) as are not capable of assignation.

32.2 The Operator shall not acquire any right, title or interest in or to the Intellectual Property Rights of the Scottish Ministers or its licensors, including, without limitation any Intellectual Property Rights in IT systems, booking tools and websites.

32.3 The Scottish Ministers hereby grant to the Operator a royalty-free, non-exclusive, non-transferable licence during the Grant Period to use the Transferring Assets (including where applicable any IT systems, the booking tools and websites). The licence is granted solely to the extent necessary for performing the Services in accordance with this Contract. The Operator shall not use the licensed Transferring Assets for any other purpose or for the benefit of any person other than the Scottish Ministers

32.4 The Operator must ensure that nothing contained in any materials produced or submitted to the Scottish Ministers by the Operator or anyone acting on its behalf nor the reproduction of such materials, constitutes an infringement of any third party copyright or intellectual property right and must indemnify the Scottish Ministers against all actions, proceedings, claims and demands made by reason of any such infringement.

SECTION F: OPERATOR CONDUCT

33 Compliance With The Law

33.1 In providing the Services and otherwise when performing the Contract, the Operator must comply in all respects with the Applicable Law.

34 Bribery And Corruption

34.1 The Operator must not commit or attempt to commit any offence in its activities relating to the Contract:

34.1.1 under the Bribery Act 2010; or

34.1.2 of fraud, uttering, or embezzlement at common law.

34.2 Breach of Clause 34.1 will be treated as a material breach for the purposes of Clause 53.1.

35 Discrimination and Customer Care

35.1 The Operator must not unlawfully discriminate against any person in breach of the Equality Act 2010 in its activities relating to the Contract.

35.2 The Operator must prepare at least once a year an Equality Impact Assessment in accordance with Schedule 10 and to the satisfaction of the Scottish Ministers and review the Assessment from time to time or when so required by any change of circumstance or when so requested by the Scottish Ministers.

36 Operational Management and Customer Care and Accessibility Process

36.1 The Operator must provide the Services in accordance with the Operational Management Systems and the Customer Care and Accessibility Process. These must be reviewed from time to time and in the first instance before the Commencement Date or when so required by any change of circumstance or when so requested by the Scottish

Ministers, and must be updated as appropriate. Any amendment so requested by the Scottish Ministers will be a variation to which Clause 14 shall apply.

37 Bookings And Ticketing

37.1 The Operator must ensure that all bookings and reservations are dealt with on a first come first served basis.

37.2 There must be no discrimination between one ferry user and other.

37.3 The Operator must honour all pre-existing bookings and tickets (for all categories of passenger, vehicle and freight) sold by Outgoing Operator prior to the Commencement Date. The Operator shall retain all such honoured tickets and shall submit a claim to Calmac Ferries Ltd with such reasonable details of the number and values of tickets as may be required by Calmac Ferries Ltd. Calmac Ferries Ltd shall pay the claim to the Operator, which payment shall be regarded as Revenue for the purposes of reconciliation of the Grant. The Operator shall continue to sell tickets up to the Expiry Date and shall in pursuance of the Handover Assistance Plan pay to the successor operator the value of tickets sold for the provision of services following the expiry of the Contract.

SECTION G: GENERAL PROVISIONS

38 Operator's Status

38.1 At all times during the Grant Period the Operator will act as an independent Operator and nothing in the Contract establishes a contract of employment, a relationship of agency or partnership, or a joint venture between the Parties. Accordingly, neither Party is authorised to act in the name of, or on behalf of, or otherwise bind the other Party save as expressly permitted by the terms of the Contract.

38.2 The Operator must not say or do anything that might lead any other person to believe that the Operator is acting as the agent of the Scottish Ministers.

39 Operational Undertakings

39.1 The Operator undertakes at all times during the Grant Period:

39.1.1 to furnish the Scottish Ministers promptly with all such information as they may from time to time require regarding the business and affairs of the Operator (and of any Associated Company of the Operator employed as a subcontractor in the provision of the Services), the provision of the Services, and any other matters

connected with or affecting the foregoing or the performance by the Operator of its obligations under this Contract or the performance by the relevant parties of their obligations under the agreements set out in Schedule 2;

39.1.2 to keep a Transferring Asset Register and to maintain, repair or replace such Transferring Assets unless otherwise directed by the Scottish Ministers, and unless so directed the Transferring Assets must be presented in Good working Order and provided at no charge to an Incoming Operator as required at the Expiry Date for the purposes of providing ferry services on the Clyde and Hebrides on terms set out by a public service contract or failing that to the Scottish Ministers;

39.1.3 to publish and make available to ferry users a summary of performance statistics, and produce and publish a more detailed annual report;

39.1.4 to allow the Scottish Ministers and persons appointed by them access to the premises, the Vessels and the employees of the Operator and all records and books of account of the Operator and must procure that any Associated Company with which the Operator has contracted for purposes connected with this Contract or the Services must allow similar access;

39.1.5 immediately to notify the Scottish Ministers of the commencement of any Insolvency Event affecting the Operator;

39.1.6 to send to the Scottish Ministers, at the same time as they are dispatched, copies of all communications that are dispatched to the Operator's shareholders to the extent that such communications are related to or relevant in the context of this Contract or the Services;

39.1.7 to provide to the Scottish Ministers details of any legal or regulatory action involving the Operator or the Vessels as soon as such action is instituted unless such legal or regulatory action is not material in the context of this Contract and the Services.

40 Consultation And Community Engagement

40.1 The Parties, acting reasonably, must consult with each other in good faith throughout the Grant Period in accordance with Schedule 15 Part 1 in relation to all matters relevant to both the Services and this Contract, in order to facilitate the continued provision of the Services.

40.2 The Operator must take part in shipping services consultation meetings with the representatives of the relevant Regional Transport Partnerships, Western Isles Council, Highland Council, Argyll and Bute Council and North Ayrshire Council from time to time throughout the Grant Period as required by the Scottish Ministers and/or the relevant Regional Transport Partnership and/or Council.

40.3 As and when requested by the Scottish Ministers and as otherwise required under this Contract, the Operator must take part in local community liaison throughout the Grant Period with representatives of users of the Services and the public and must provide the Scottish Ministers with copies of minutes of such meetings. The Scottish Ministers are entitled to be represented at such meetings and their representatives entitled to speak at such meetings.

41 Notices

41.1 Any notice, or other communication, which is to be given by one Party to the other under this Contract must be:

41.1.1 given in writing;

41.1.2 addressed in accordance with Clause 41.3 below; and

41.1.3 sent by letter (delivered by hand, first class post or by recorded delivery or special delivery), fax or e-mail.

41.2 Provided the relevant communication is not returned or rejected as undelivered, the notice or communication is deemed to have been given:

41.2.1 2 Business Days after the day on which the letter was posted; or

41.2.2 4 Business Hours, in the case of a fax or an e-mail.

41.3 For the purposes of this Clause the address of each Party is:

The Scottish Ministers

Transport Scotland

Aviation, Maritime, Freight and Canals Division

Victoria Quay

Edinburgh EH6 6QQ; and

Calmac Ferries Ltd

Ferry Terminal,

**Gourock,
PA19 1QP**

41.4 Either Party may change its address details by serving a notice in accordance with this Clause.

41.5 Notices under Clause 57 may be sent to the Operator's trustee, receiver, liquidator or administrator, as appropriate.

42 Payment

42.1 Subject to Clause 26, each Party must pay all sums due to the other within 20 Business Days of receipt of a valid invoice.

42.2 The Operator must supply such other documentation as reasonably required by the Scottish Ministers to substantiate any invoice.

42.3 Interest is payable on the late payment of any undisputed sums of money at the rate of statutory interest (as set in accordance with section 6 of the Late Payment of Commercial Debts (Interest) Act 1998) applying during the period of non-payment.

43 Recovery Of Sums Due

43.1 Wherever under the Contract any sum of money is recoverable from or payable by the Operator, the Scottish Ministers may deduct that sum from any sum due to the Operator whether under the Contract or otherwise.

43.2 The Operator must make any payments due to the Scottish Ministers without any deduction whether by way of set-off, counterclaim, discount, abatement or otherwise unless the Operator has a valid court order requiring an amount equal to such deduction to be paid by the Scottish Ministers to the Operator.

43.3 If the payment or deduction of any amount referred to in Clause 43.2 above is disputed then any undisputed element of that amount must be paid and the disputed element must be dealt with in accordance with either Clause 23 or Clause 51 as appropriate in the circumstances.

44 Waiver

44.1 No waiver is effective unless it is expressly stated to be a waiver and communicated to the other Party in writing in accordance with Clause 41.

44.2 No failure or delay by either Party to enforce any provision of the Contract, will prejudice or restrict the rights or remedies of that Party, nor will any waiver by any party of any of the requirements of this Contract, or any of its rights or remedies under this Contract or at law release either Party from full performance of their other obligations under this Contract.

44.3 No failure or delay by either Party to enforce any provision of the Contract will be deemed to result in that Party affirming this Contract (unless that Party makes such an affirmation in writing in accordance with Clause 41).

44.4 No single or partial exercise of any right or remedy under this Contract or at law will prevent any further exercise of the same right or remedy or any other right or remedy under this Contract or at law.

44.5 A waiver given pursuant to Clause 44.1 of a breach of any of the terms of this Contract will not constitute a waiver of any other breach and will not affect the other terms of this Contract.

44.6 A waiver given pursuant to Clause 44.1 of a breach of any of the terms of this Contract will only apply in the particular circumstances for which it is given and will not prevent the Party giving it from subsequently relying on the relevant provision in other circumstances or on another occasion.

44.7 A waiver in respect of any Event of Default is not a waiver of any subsequent Event of Default.

44.8 The rights and remedies provided by this Contract are cumulative and may be exercised concurrently or separately, and the exercise of any one remedy is not to be deemed an election of such remedy to the exclusion of other remedies. The rights and remedies provided by this Contract are not exclusive of any rights or remedies provided by law.

45 Severability

45.1 If any provision of the Contract is held to be invalid, illegal or unenforceable for any reason by any court of competent jurisdiction, such provision is severed and the remainder of the provisions of the Contract continue in full force and effect as if the Contract had been executed with the invalid, illegal or unenforceable provision eliminated.

46 Jus Quaesitum Tertio

46.1 It is expressly declared that no rights are conferred under or arising out of this Contract upon any person other than the Scottish Ministers and the Operator (and their permitted successors and assignees) and, without prejudice to the foregoing, there will not in any circumstances be created by this Contract a jus quaesitum tertio in favour of any other person whatsoever.

SECTION H: CONTRACT GOVERNANCE**47 Audit, Expenditure And Accountability**

47.1 The Operator must ensure and procure that adequate internal expenditure controls are in place and that all resources are used economically, effectively and efficiently so as to comply with the terms of this Contract.

47.2 The Operator must ensure that there is no cross-subsidisation between the Services and any other service run by or activities of the Operator or between the Operator and any other Associated Company and that all transactions with any Associated Company are conducted on an arm's length basis and are so identified in all records and books of accounts.

47.3 The Operator must have clear, separate and transparent accounting systems for the financing and operating of the Services (in accordance with the Financial Transparency (EC Directive) Regulations 2009/2331) to ensure that the Grant is only used for the Services and not for any other activity of the Operator and shall deal with the Scottish Ministers on an open book basis.

47.4 The Operator must ensure that, in the event that it operates any other service or carries out any other activities, a cost allocation mechanism is in place such that costs which are common to the Services and those other services and/or activities are correctly allocated and recorded in accordance with clearly established, consistently applied and objectively justifiable cost accounting principles.

47.5 The Operator must ensure that, in the event that it operates any other service or carries out any other activities, a revenue allocation mechanism is in place such that revenues which are common to the Services and those other services and/or activities are correctly allocated and recorded in accordance with clearly established, consistently applied and objectively justifiable cost accounting principles.

47.6 The Operator must keep and maintain throughout the Grant Period and thereafter, until 10 years after the final payment by the Scottish Ministers to the Operator pursuant to this Contract, adequate and proper records of and books of accounts recording the financial affairs of the Operator, the provision of the Services and all receipts and expenditures of monies advanced to the Operator by the Scottish Ministers by way of the Grant.

47.7 The Operator must throughout the duration of the Grant Period and for a period of 5 years after the final payment has been made to the Operator by the Scottish Ministers pursuant to this Contract provide the Auditor General for Scotland access at all reasonable times and on reasonable notice to its books and records for the purposes of carrying out any audit or examination which he is empowered to carry out pursuant to the Public Finance and Accountability (Scotland) Act 2000 or any other Legislation.

47.8 The Operator must throughout the Grant Period and at its own cost present to the Scottish Ministers:

47.8.1 not later than 6 Months after the end of every accounting reference period of the Operator, a copy of the audited financial statements of the Operator and the audited consolidated financial statements of any Group of which the Operator forms part for that accounting reference period;

47.8.2 as soon as reasonably practicable after the end of any period notified by the Scottish Ministers (but not more than once in any Service Year) a confirmation by the auditors of the Operator in such form as may be agreed between the Scottish Ministers, the Operator and the auditors containing information to confirm that the Grant paid to the Operator has been applied by the Operator in accordance with Clauses 17 to 26; and

47.8.3 the information required under the Performance Regime.

47.9 The Operator must provide to the Scottish Ministers (or any other person appointed by the Scottish Ministers) such information as they may reasonably require from time to time, including access to and/or copies of all records maintained by the Operator, concerning any of the Services and the Scottish Ministers must reimburse to the Operator its reasonable costs incurred in complying with this Clause 47.9.

48 Assignment And Sub-Contracting

48.1 The Operator must not assign any portion of the Contract or sub-contract any material portion of the Contract without the prior written consent of the Scottish Ministers. Sub-contracting any part of the Contract will not relieve the Operator of any obligation or duty (or part thereof) attributable to the Operator under the Contract.

48.2 The Operator must provide the Scottish Ministers with a copy of the deed or document formally recording any assignment of this Contract.

48.3 Where the Scottish Ministers have consented to the placing of sub-contracts, copies of each sub-contract shall be sent by the Operator to the Scottish Ministers immediately after they are issued.

48.4 Where the Operator enters a sub-contract with a subcontractor for the purpose of performing this Contract, the Operator must ensure a term is included in such sub-contract which:

48.4.1 requires payment to be made to the subcontractor within a specified period not exceeding 30 days from receipt of a valid invoice from subcontractor and provides that, where the Scottish Ministers have made payment to the Operator in respect of the Services and the contractor's invoice relates to such Services then, to that extent, the invoice must be treated as valid and, provided the Operator is not exercising a right of retention or set-off in respect of a breach of contract by subcontractor, or in respect of a sum otherwise due by the subcontractor to the Operator, payment must be made to subcontractor without deduction;

48.4.2 notifies subcontractor that the sub-contract forms part of a larger contract between the Operator and the Scottish Ministers and that should subcontractor have any difficulty in securing the timely payment of an invoice, that matter may be referred by the subcontractor to the Scottish Ministers; and

48.4.3 is in the same terms as that set out in this Clause 48.4 (including for the avoidance of doubt this Clause 48.4.3) subject only to modification to refer to the correct designation of the equivalent party as the Scottish Ministers and subcontractor, as the case may be.

49 Contract Amendments

49.1 Amendments to this Contract or variations of its terms will only be effective where constituted in writing and signed by or on behalf of each of the Parties.

49.2 Clause 14 will apply in relation to any proposed amendments which constitute a Variation to the Contract.

50 Benchmarking

50.1 The Operator must comply with Schedule 17 in respect of Benchmarking.

51 Dispute Resolution Procedure

51.1 If either Party has any dispute, issues, concerns or complaints (“a dispute”) in connection with, or arising from the Contract (with the exception of any Grant Dispute) then the relevant Party shall notify the other Party in writing setting out full particulars of the dispute and the Operator’s Representative and the Scottish Ministers’ Representative shall attempt in good faith to resolve the matter by a process of consultation within 20 days of either Party notifying the other of the dispute (or such other timescale as shall be agreed between the Parties). If the issue cannot be resolved within such timescale then the matter shall be escalated to the Senior Representatives’ Board, which will comprise the Senior Operator’s Representative and the Senior Scottish Ministers’ Representative, who shall attempt in good faith to resolve the matter.

51.2 If the Senior Representatives’ Board is unable to resolve any dispute within 20 days of the matter being referred to them then either Party may request by notice in writing to the other Party that any dispute be referred and resolved by arbitration in accordance with the following provisions:-

51.2.1 The arbitration shall be governed by the Arbitration (Scotland) Act 2010;

51.2.2 The Scottish arbitration rules (schedule one to the Arbitration (Scotland) Act 2010) in force at the date that the dispute was referred to arbitration shall be applied and are deemed to be incorporated by reference into this agreement, and the decision of the arbitrator shall be binding on the parties in the absence of any material failure to comply with such rules;

51.2.3 The tribunal shall consist of a sole arbitrator. If the parties fail to agree the appointment of the arbitrator within 10 days of the written notification that the matter is being referred to arbitration, or if the person appointed is unable or unwilling to act, the arbitrator shall be appointed by the president for the time being of the law society of Scotland.

51.3 Any Grant Dispute shall be referred for expert determination in accordance with the remaining provisions of this clause 51.

51.4 Either Party may refer a Grant Dispute to an independent chartered accountant (the "expert") by giving notice to the other Party of such referral, including the nature and brief details of the Grant Dispute.

51.5 Following the giving of the notice referred to in clause 51.4, and failing agreement between the parties as to the identity of the expert, the referring Party shall request that the president at the time of the institute of chartered accountants of Scotland appoint, within five business days of receipt of such notice, an expert in relation to the Grant Dispute,

51.6 Within five business days of receipt of confirmation from the expert that he/she is willing to act, the referring Party shall provide to the expert copies of all relevant documentation, including any documentation on which the referring Party intends to rely. Copies of all such documentation shall be provided to the other Party within the same timescale.

51.7 The expert shall have jurisdiction to determine the Grant Dispute which has been referred to him/ her.

51.8 The expert shall act as an expert and not as an arbitrator. The decision of the expert, (including as to how the associated costs are to be borne), shall be final and binding on the parties and not subject to any appeal or reference to the court on points of law.

51.9 If required in writing by the parties or by the expert within seven days of his appointment, the expert shall invite written submissions and written counter-submissions from the parties in respect of the Grant Dispute and shall take account of such submissions and counter submissions, but only if submitted timeously (within fifteen business days of the expert's appointment in case of submissions and within twenty five business days of the expert's appointment in the case of counter-submissions).

51.10 Unless the expert decides otherwise, no oral submission shall be required.

51.11 The expert shall have power to determine liability for his own costs and those of the parties to the Grant Dispute.

51.12 The parties shall seek to secure that the expert undertakes to issue his decision within fourteen days of the later of (i) the date of his appointment and (ii) the date for submission of counter-submissions (should submissions and counter-submissions be required), unless a longer timescale is agreed by both parties.

51.13 The expert shall take full account of the relevant provisions of this contract in determining the Grant Dispute.

51.14 The expert shall act impartially in carrying out his/her duties and shall do so in accordance with any relevant terms of this contract, shall reach his/her decision in accordance with the law applicable to this contract, and shall avoid incurring unnecessary expense.

51.15 If the expert shall die, refuse to act or become incapacitated from acting prior to the making of his decision a further expert shall be appointed in accordance with Clauses 51.4 or 51.5 to replace him/her.

SECTION I: DEFAULT, CURE AND TERMINATION

52 Financial Distress

52.1 The Operator and the Scottish Ministers agree to comply with their respective obligations and may exercise their respective rights pursuant to Schedule 13 part B (financial distress).

53 Events Of Default

53.1 The occurrence of any of the following circumstances or events constitute an Event of Default:

53.1.1 the Operator knowingly and deliberately giving any fraudulent written information to the Scottish Ministers or giving any other written information to the Scottish Ministers which read as a whole is incorrect or misleading, in a material respect;

53.1.2 an Insolvency Event affecting the Operator; the Operator ceasing or threatening to cease to carry on business or to provide the Services or any part of them;

53.1.3 the occurrence of any event which allows or which with the lapse of time would allow any Party to any of the Principal Contracts to terminate a Principal Contract early before its expiry date;

53.1.4 the arrest or detention of any Vessel unless the Vessel or Vessels in question is free from arrest or detention within 7 days;

53.1.5 the Operator committing a material breach of any provision of this Contract which it has failed to remedy in accordance with the Cure Plan process;

53.1.6 the Operator committing a material breach of any provision of this Contract which is irremediable;

53.1.7 NOT USED;

53.1.8 there is a Financial Distress Event and the provisions of paragraph 3 of Schedule 13 apply;

53.1.9 any authorisation, approval, consent, licence, exemption, filing, registration or notarisation or other requirement necessary to enable the Operator to comply with any of its obligations hereunder which are material (as determined by the Scottish Ministers) and which the Operator is responsible for procuring and/or maintaining, being modified, revoked or withheld or ceasing to remain in full force and effect and not being reinstated in full force and effect or replaced by an equivalent, unless lack of the same does not affect the provision of the Services and said reinstatement or replacement is achieved with 7 Business Days;

53.1.10 there is any Change in Control to which the Scottish Ministers object except where the Scottish Ministers have given their prior written consent to the particular Change of Control, which subsequently takes place as proposed.

54 Remedies

54.1 If the Scottish Ministers become aware of the occurrence of an Event of Default, the Scottish Ministers may, without prejudice to any other rights, at any time exercise all or any of the following remedies:

54.1.1 by notice to the Operator terminate this Contract with immediate effect or on such date as the Scottish Ministers in their sole discretion stipulate in the notice; and/or

54.1.2 issue a Cure Notice; and/or

54.1.3 make a Performance Deduction in respect of failures by the Operator to which performance deductions apply.

54.2 In the event of this Contract being terminated as a consequence of an Event of Default, the Operator must pay to the Scottish Ministers the amount of any costs and expenses properly and reasonably incurred by the Scottish Ministers in connection with

the Scottish Ministers undertaking or procuring the ongoing provision of the Services that exceed the Grant which would have otherwise been due under the Contract for the Services provided and/ or of re-tendering the Services.

55 Termination

This Contract may be terminated by the Scottish Ministers giving written notice of not less than 1 year to the Operator that the Contract will expire on 30 September 2022 in the event that the Scottish Ministers do not accept any Revised Base Case Recalculation (or any parts therefore) for Service Years 7 and 8 in accordance with clause 20.2. For the avoidance of doubt, the Operator shall not be entitled to any payment in respect of such termination.

55.1 This Contract may be terminated at any time by the Scottish Ministers giving written notice to the Operator. In the event of such termination other than on the grounds of an Event of Default, the Operator is entitled to all its proper and reasonable costs, losses or expenses (evidenced on an open book basis) arising as a direct result of such termination. The amount of notice given shall affect the payments that the Scottish Ministers may be obliged to make as a consequence of termination under this Clause.

55.2 This Contract may be terminated by either the Scottish Ministers or the Operator in the event of a determination by the European Commission, European Court of Justice or any Scottish Court requiring either repayment of the Grant in full, or repayment of an amount equal to or exceeding the sum paid to the Operator as the Operator's Return (including any Varied Reward).

55.3 This contract may be terminated by the Scottish Ministers in the event of the termination of the Ship Charters for any reason.

55.4 The Operator may terminate this agreement only if the Scottish Ministers are in material breach of their obligation to pay undisputed grant by giving the Scottish Ministers 30 days written notice specifying the breach and requiring its remedy. The Operator's right of termination under this Clause 55.4 shall not apply to non-payment of the Grant by the Scottish Ministers where such non-payment is due to the Scottish Ministers exercising their rights under Clause 43 (recovery of sums due).

55.5 Notwithstanding the provisions of Clause 54.1.1 and this Clause 55, Clauses 1 (Definitions and Interpretations), 47 (Audit, Expenditure and Accountability), 34 (Bribery and Corruption), 59 (Indemnity), 31 (Confidentiality), 30 (Freedom of Information), 29 (Data Protection), 16 (pre-Expiry), 51 (Dispute Resolution Procedure), 63 (Governing Law),

27 and Schedule 11 Part C (Transfer of Staff), 44 (Waiver), and 45 (Severability) will survive termination of this Contract along with any other Clauses or Schedules necessary to give effect to those provisions. Termination will not prejudice or affect any right of action or remedy which has accrued or accrues to either Party.

56 Cure

56.1 The Scottish Ministers may at any time issue a Cure Notice if:

56.1.1 the Operator persistently fails to meet the Performance Measure for Reliability (on at least 3 or more occasions in any 3 month period);

56.1.2 the Operator persistently fails to meet the Performance Measure for Punctuality (on at least 3 or more occasions in any 3 month period);

56.1.3 the Operator fails to comply with any of its obligations under this Contract;

56.1.4 there is an Event of Default which is capable of remedy; or

56.1.5 a Material Reduction in Revenue has occurred, irrespective of whether either Party has exercised its rights under Clause 20;

56.2 The Cure Notice shall contain sufficient detail so that it is clear what the Operator is required to remedy. The Operator is required, within 14 days of receipt of a Cure Notice (or such other period agreed by the Parties) even if the Operator disputes that it is responsible for the matters complained of, to submit a draft Cure Plan which will, if performed, cure or remedy the matters referred to in the notice to the satisfaction of the Scottish Ministers within a period acceptable to the Scottish Ministers.

56.3 If the Scottish Ministers consider that the draft Cure Plan is insufficiently detailed to be properly evaluated, or will take too long to complete or will not remedy the matters complained of then it may either agree a further time period for the development and agreement of the Cure Plan or escalate any issues with the draft Cure Plan using the Escalation Process. If despite the foregoing measures a Cure Plan cannot be agreed then the Scottish Ministers may elect to end the Cure Plan process at the end of the Escalation Process.

56.4 When the Cure Plan has been approved by the Scottish Ministers the Operator will implement the Cure Plan in accordance with its terms to the satisfaction of the Scottish Ministers.

56.5 If at any time the Scottish Ministers are not satisfied with the progress being achieved by the Operator in relation to the Cure Plan, then the Scottish Ministers may by notice to the Operator declare that the payment of the Grant will be suspended whereupon the liability of the Scottish Ministers in respect of the Grant will be suspended immediately. The liability of the Scottish Ministers in respect of the Grant, if suspended, will be reinstated upon the implementation of the Cure Plan to the satisfaction of the Scottish Ministers.

56.6 If:

56.6.1 the terms of the Cure Plan have not been agreed;

56.6.2 the actions specified in the Cure Plan to be taken by the Operator or otherwise have not been taken; and/or

56.6.3 the matter(s) referred to in the Cure Notice have not otherwise been resolved to the satisfaction of the Scottish Ministers,

each or any within the periods specified in the Cure Plan, an Event of Default will be deemed to have occurred which shall entitle the Scottish Ministers to terminate the Contract in accordance with Clause 55

57 Step-In Rights

57.1 Scottish Ministers may take action under this Clause in the following circumstances:

57.1.1 there is an Event of Default entitling the Scottish Ministers to terminate the Contract;

57.1.2 there is a breach by the Operator of its obligations that will result in a material disruption in the performance of the Services or any part of the Services;

57.1.3 where the Operator is not in breach of its obligations under this Contract but the Scottish Ministers reasonably considers that the circumstances constitute an emergency;

57.1.4 because a serious risk exists to the health or safety of persons, property or the environment;

57.1.5 on the occurrence of an Insolvency Event in respect of the Operator.

Action To Be Taken Prior To Exercise Of The Right Of Step-in

57.2 Before the Scottish Ministers exercises its right of step-in under this Clause 57 it shall permit the Operator the opportunity to demonstrate to the Scottish Ministers' reasonable satisfaction within 7 Business Days (or such shorter or longer period as Scottish Ministers shall deem appropriate in the circumstances) that the Operator is still able to provide the Services in accordance with the terms of this Contract and/or remedy the circumstances giving rise to the right to step-in without the requirement for the Scottish Ministers to take action.

57.3 If the Scottish Minsters are not satisfied with the Operator's demonstration pursuant to Clause 57.2, the Scottish Minsters may:

57.3.1 where the Scottish Minsters considers it expedient to do so, require the Operator by notice in writing to take those steps that the Scottish Ministers considers necessary or expedient to mitigate or rectify the state of affairs giving rising to the Scottish Ministers' right to step-in;

57.3.2 appoint any person to work with the Operator in performing all or a part of the Services (including those provided by any Associated Company or Subcontractor); or

57.3.3 take the steps that the Scottish Minsters considers appropriate to ensure the performance of all or part of the Services (including those provided by any Associated Company or Subcontractor).

57.4 The Operator shall co-operate fully and in good faith with the Scottish Ministers, or any other person appointed in respect of Clause 57.3.2, and shall adopt any reasonable methodology in providing the Services recommended by the Scottish Ministers or that person.

Exercise of the Right of Step-in

57.5 If the Operator:

57.5.1 fails to confirm within 10 Working Days of a notice served pursuant to Clause 57.3.1 that it is willing to comply with that notice; or

57.5.2 fails to work with a person appointed in accordance with Clause 57.3.2; or

57.5.3 fails to take the steps notified to it by the Scottish Ministers pursuant to Clause 57.3.3,

then the Scottish Ministers may take action under this Clause either itself or with the assistance of a third party (provided that the Operator may require any third parties to comply with a confidentiality undertaking equivalent to Clause 31 (Confidentiality)).

57.6 If the Scottish Ministers takes action pursuant to Clause 57.5 the Scottish Ministers shall serve notice ("Step-in Notice") on the Operator. The Step-in Notice shall set out the following:

57.6.1 the action the Scottish Ministers wishes to take and in particular the Services it wishes to control;

57.6.2 the reason for and the objective of taking the action;

57.6.3 the date it wishes to commence the action;

57.6.4 the time period which it believes will be necessary for the action;

57.6.5 whether and to what extent the Scottish Ministers will require access to the Operator's premises, the Vessels and the Transferring Assets;

57.6.6 to the extent practicable, the effect on the Operator and its obligations to provide the Services during the period the action is being taken.

57.7 Following service of a Step-in Notice, the Scottish Ministers shall:

57.7.1 take the action set out in the Step-in Notice and any consequential additional action as it reasonably believes are necessary (together, the "Required Action");

57.7.2 keep records of the Required Action taken and provide information about the Required Action to the Operator;

57.7.3 co-operate wherever reasonable with the Operator in order to enable the Operator to continue to provide any Services in relation to which the Scottish Ministers are not assuming control; and

57.7.4 act reasonably in mitigating the cost that the Operator will incur as a result of the exercise of the Scottish Ministers' rights under this Clause.

57.8 For so long as and to the extent that the Required Action is continuing, then:

57.8.1 the Operator shall not be obliged to provide the Services to the extent that they are the subject of the Required Action;

57.8.2 the Scottish Ministers shall pay any Grant due to the Operator only after the deduction of any applicable Performance Deductions and the Scottish Ministers costs of taking the Required Action.

57.9 In order that Scottish Ministers may take any Required Action, the Operator shall use all reasonable endeavours to ensure from the Commencement Date and throughout the Grant Period that the Scottish Ministers and its nominee will be entitled to access and use all the resources required to ensure the continuation of the Services including, without limitation, access to vessels, premises, harbours and ports, employees and any relevant subcontractors.

57.10 Before ceasing to exercise its step in rights under this Clause the Scottish Ministers shall deliver a written notice to the Operator ("Step-Out Notice"), specifying:

57.10.1 the Required Action it has actually taken; and

57.10.2 the date on which the Scottish Ministers plans to end the Required Action ("Step-Out Date") subject to the Scottish Ministers being satisfied with the Operator's ability to resume the provision of the Services and the Operator's plan developed in accordance with Clause 57.11.

57.11 The Operator shall, following receipt of a Step-Out Notice and not less than 20 Business Days prior to the Step-Out Date, develop for the Scottish Ministers' approval a draft plan ("Step-Out Plan") relating to the resumption by Operator of the Services, including any action the Operator proposes to take to ensure that the affected Services satisfy the requirements of this Contract.

57.12 If the Scottish Ministers do not approve the draft Step-Out Plan, the Scottish Ministers shall inform the Operator of its reasons for not approving it. The Operator shall then revise the draft Step-Out Plan taking those reasons into account and shall re-submit the revised plan to the Scottish Ministers for the Scottish Ministers' approval. The Scottish Ministers shall not withhold or delay its approval of the draft Step-Out Plan unnecessarily.

57.13 The Operator shall bear its own costs in connection with any step-in by the Scottish Ministers this Clause 57.

SECTION J: FINAL PROVISIONS**58 Warranties**

58.1 The Operator warrants and undertakes to the Scottish Ministers that as at the Mobilisation Date:

58.1.1 it is a limited liability company, duly incorporated and validly existing and not in liquidation or apparently insolvent under the laws of Scotland or any jurisdiction outside Scotland;

58.1.2 it has full power and authority to enter into, and to fulfil its obligations under, this Contract and the agreements set out in Schedule 2 (Conditions Precedent) and that the Contract is executed by a duly authorised individual;

58.1.3 all authorisations, approvals, consents, licences, registrations and other matters, official or otherwise, required or advisable in connection with the entry into, performance, validity and enforceability of this Contract and in connection with the operation of the Services have been obtained or effected and are in full force and effect and there are no circumstances which indicate that any of the same are likely to be revoked in whole or in part in the ordinary course of events;

58.1.4 in entering the Contract it has not committed any offence under the Bribery Act 2010 or of fraud or uttering at common law;

58.1.5 as at the Mobilisation Date, all information contained in the PQQ and Tender remains true, accurate and not misleading, save as may have been specifically disclosed in writing to the Scottish Ministers prior to execution of the Contract;

58.1.6 no claim is being asserted and no litigation, alternative dispute resolution procedure or administrative proceeding is presently in progress or, to the best of its knowledge and belief, pending or threatened against it or any of its assets which will or might have a material adverse effect on its ability to perform its obligations;

58.1.7 it is not subject to any contractual obligation, compliance with which is likely to have a material adverse effect on its ability to perform its obligations under the Contract;

58.1.8 no proceedings or other steps have been taken and not discharged (nor, to the best of its knowledge, are threatened) for the winding up of the Operator or for its

dissolution or for the appointment of a receiver, administrative receiver, liquidator, manager, administrator or similar officer in relation to any of the Operator's assets or revenue;

58.1.9 it owns, has obtained or is able to obtain, valid licences for all Intellectual Property Rights that are necessary for the performance of its obligations under the Contract;

58.1.10 in the 3 years prior to the Commencement Date:

58.1.10.1 it has conducted all financial accounting and reporting activities in compliance in all material respects with the generally accepted accounting principles that apply to it in any country where it files accounts;

58.1.10.2 it has been in full compliance with all applicable securities and tax laws and regulations in the jurisdiction in which it is established;

58.1.11 it has not done or omitted to do anything which could have a material adverse effect on its assets, financial condition or position as an ongoing business concern or its ability to fulfil its obligations under the Contract;

58.1.12 there are no actual or potential conflicts between the interests of the Operator and the duties owed to the Scottish Ministers under the Contract, save as may have been specifically disclosed in writing to the Scottish Ministers prior to execution of the Contract.

59 Indemnity

59.1 Without prejudice to any rights or remedies of the Scottish Ministers, the Operator indemnifies the Scottish Ministers against all claims, proceedings, actions, damages, demands, losses, charges, costs, expenses and any other liabilities which the Scottish Ministers may suffer or incur as a result of or in connection with:

59.1.1 any damage to property or in respect of any injury (whether fatal or otherwise) to any person which may result directly or indirectly from any negligent or wrongful act or omission of the Operator; or

59.1.2 any breach of this Contract.

60 Force Majeure

60.1 Each Party is relieved from liability for performance of its obligations under this Contract to the extent that it is not able to perform such obligations due to a Force Majeure Event. If either Party is affected by a Force Majeure Event, it must immediately notify the other Party of the nature and extent of the circumstances in question.

60.2 If at any time the Operator claims a Force Majeure Event in respect of any of its obligations under this Contract, the Scottish Ministers are entitled at their own cost to procure one or more third parties to provide the Services in so far as the Operator is unable to provide the Services or part of them for so long as the Force Majeure Event or its effect continues to prevent the Operator from performing all or any of its obligations under this Contract.

60.3 If the Force Majeure Event in question prevails for a continuous period in excess of 7 days, the Scottish Ministers and the Operator must without prejudice to the rights of the Scottish Ministers under Clause 60.2 enter into bona fide discussions with a view to alleviating the effects of the Force Majeure Event or to agreeing such alternative arrangements as may be fair and reasonable.

60.4 If no such terms are agreed within 6 Months of the commencement of the Force Majeure Event, and at that time such Force Majeure Event is continuing or its consequence remains such that the Operator is unable to comply with its obligations to any material extent, either Party may terminate this Contract by giving 30 Business Days' notice to the other Party.

60.5 The Parties must, at all times following the occurrence of a Force Majeure Event, use all reasonable endeavours to prevent and mitigate the effects of such Force Majeure Event on the Services and the Operator must at all times during which a Force Majeure Event is subsisting take all steps to overcome or minimise the consequences of the Force Majeure Event.

60.6 The Party affected by a Force Majeure Event must notify the other Party as soon as practicable after the Force Majeure Event ceases or no longer causes such Party to be unable to comply with its obligations under this Contract. Following such notification this Contract must continue to be performed on the terms existing immediately prior to the occurrence of the Force Majeure Event, unless the Scottish Ministers have exercised their rights under Clause 14.

61 Euro Compliance

61.1 In the event that any currency in which any of the obligations under this Contract are denominated from time to time is changed or replaced at any time after the date of this Contract (whether as a result of the introduction of, changeover to or operation of a single or unified European currency or otherwise) this Contract will be amended to the extent that the Scottish Ministers (acting reasonably) consider to be required in order to reflect those circumstances.

62 Entire Agreement

62.1 Except where expressly provided in this Contract, this Contract constitutes the entire agreement between the Parties in respect of all matters dealt with herein. The Contract supersedes all prior negotiations between the Parties and all representations and undertakings made by one Party to the other, whether written or oral regarding any matters dealt with in this Contract, except that this Clause does not exclude liability in respect of any misrepresentation (whether in the PQQ or Tender or otherwise).

62.2 The Operator acknowledges that it has entered into this Contract on the basis of its terms only and has not relied upon any statement or representation or warranty or other provision (in any case whether oral, written, express or implied) made or agreed by any person (whether a Party to this agreement or not) except those repeated or referred to in this Contract.

62.3 In the event of, and only to the extent of, any conflict between the Clauses of the Contract, the Schedules and any document referred to in the Contract, the following order of precedence applies:

62.3.1 the Clauses of the Contract;

62.3.2 the Schedules;

62.3.3 any other document referred to in the Contract.

63 Governing Law

63.1 The Contract is governed by and interpreted in accordance with Scots Law and, subject to Clauses 23 and 51 the Parties irrevocably submit to the jurisdiction of the Scottish Courts.

IN WITNESS WHEREOF this Public Service Contract and the Schedules which are contained in this Part 1 and in Parts 2 and 3 and the Appendices in Part 4 signed as being relative thereto have been duly executed by the parties as follows

SIGNED for and on behalf of **THE SCOTTISH MINISTERS**

Signature

Name

Position

Witness

Witness' full name

Witness' address

Date 22 August 2016

Place (town) Port Glasgow

SIGNED for and on behalf of **CALMAC FERRIES LTD**

Signature

Name

Position

Witness

Witness' full name

Witness' address

Date 22 August 2016

Place (town) Port Glasgow

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PART B

THE SCHEDULES

Executed Contract 22.08.16

Clyde and Hebrides Ferry Services
Contract for Provision of Ferry Services
Schedule 1

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This and the following pages 63-80 comprise Schedule 1 to the foregoing Contract between the Scottish Ministers and Calmac Ferries Ltd.

SCHEDULE 1 – DEFINITIONS AND INTERPRETATION

1. DEFINITIONS

In this Contract, words and expressions will, except where the context otherwise requires, have the following meanings assigned to them:

Actual Outcome Statement will be construed in accordance with Schedule 13 Part A, Paragraph 4;

AGRS means Average Grant Required per Sailing for Band A sailings, Band B sailings or Band C sailings as appropriate and shall be calculated as the total grant payable within a Service Year derived from the Base Case for that Service Year divided by the total number of sailings scheduled for that Service Year multiplied by the mean scheduled duration of Sailings within the relevant Band divided by the mean scheduled duration of Sailings within all Bands for that Service Year and will be construed in accordance with Schedule 15, Part 2.

Annual Fuel Reconciliation Payment will be construed in accordance with Schedule 13 Part A, Paragraphs 5.5-5.11 and **Annual Fuel Reconciliation** will be construed accordingly;

Annual Fuel Statement will be construed in accordance with Schedule 13 Part A, Paragraphs 5.8 and 5.9.

Applicable Law means regulation, Legislation, practice or concession or official directive, ruling, request, notice, guideline, statement of policy or practice by any relevant legislative authority, the European Union, any of the official institutions of the European Union, governmental, local, international, national or other competent authority or agency (whether or not having the force of law in respect of which compliance by ship owners and operators is generally customary);

Argyll and Bute Council means Argyll and Bute Council a local authority constituted and incorporated under the Local Government etc. (Scotland) Act 1994 and having its principle offices at Kilmory, Lochgilphead, Argyll, PA31 8RT;

Associated Company has the meaning attributed in Section 449 of the Corporation Tax Act 2010;

Associated Lifeline Services will be construed in accordance with Schedule 3;

Average Price means in relation to the Comparable Services provided by the Comparison Group, the mean average of prices for those Comparable Services as adjusted to produce Equivalent Services Data over the previous 12 month period, or other period as agreed between the Employer and the Operator. (For the avoidance of doubt, the Average Price shall be calculated by aggregating the prices derived from Equivalent Services Data for each of the services and dividing the same by the number of instances of Comparable Services);

Average Price per Litre and **Average price per KW Hour** shall have the meaning conferred in Schedule 13;

Band A sailing means those trips with a scheduled duration of 30 minutes or less as advertised on winter ferry timetables 27 October 2014-2 April 2015 and Summer Ferry Timetables 3 April – 25 October 2015 published by Calmac Ferries Ltd or of the time specified on introduction on reschedule at the time of introduction of a new service or the rescheduling of an existing sailing within a republished timetable;

Band B sailing means those trips with a scheduled duration of between 30 minutes and 90 minutes as advertised on winter ferry timetables 27 October 2014-2 April 2015 and Summer Ferry Timetables 3 April – 25 October 2015 published by Calmac Ferries Ltd or of the time specified on introduction on reschedule at the time of introduction of a new service or the rescheduling of an existing sailing within a republished timetable;

Band C sailing means those trips with a scheduled duration of 90 minutes or longer as advertised on winter ferry timetables 27 October 2014-2 April 2015 and Summer Ferry Timetables 3 April – 25 October 2015 published by Calmac Ferries Ltd or of the time specified on introduction on reschedule at the time of introduction of a new service or the rescheduling of an existing sailing within a republished timetable;

Bareboat Charterparty for MV Loch Seaforth means the bareboat charter for “LOCH SEAFORTH” to be signed between CMAL and the Operator;

Base Case means the financial model for the provision of the Services set out in Schedule 12 (the Initial Base Case) and/or any Revised Base Case as the context requires and as may be amended in accordance with the terms of this Contract and shall include a record of assumptions and operating manual;

Base Case Schedule means the completed output schedules within the Base Case which were specified by Transport Scotland as templates to be incorporated into the model;

Benchmarked Services the Services that the Scottish Minister selects to include in a Benchmark Review under paragraph 2.2 of Schedule 17;

Benchmark means the independent third party appointed under paragraph 3.1 of Schedule 17;

Benchmark Report means the report produced by the Benchmark following the Benchmark Review as further described in paragraph 5 of Schedule 17;

Benchmark Review means a review of the Services carried out in accordance with paragraph 4 of Schedule 17 to determine whether those Services represent Good Value;

Broadly Comparable means certified by the Government's Actuary Department as satisfying the condition that there are no identifiable Outgoing Operator Employees who would overall suffer material detriment in terms of their future accrual of Pension Benefits under the scheme compared with the Pension Schemes;

Business Day means any weekday during which the Scottish Clearing Banks (or a majority of them) are open for business;

Business Hour means any time between 9:00am and 5:00pm on any Business Day;

Caledonian MacBrayne Crewing (Guernsey) Ltd. Is a private limited company registered in Guernsey and wholly owned by Calmac Ferries Ltd;

Calmac Ferries Ltd is a Scottish private limited company (SC 302282) wholly owned by David MacBrayne Ltd;

Capital Supplement will be construed in accordance with Clause 24;

Cascade and **Cascaded** means the temporary or permanent replacement on any particular route of the Services, of any Vessel by any other Vessel;

Change in Control means a person or persons acting in concert (as that term is defined in The City Code on Take-overs and Mergers from time to time) having control of the relevant entity (not being a person having a shareholding in the relevant entity as at the date hereof) who did not have control of the relevant entity at the date hereof (and control is to be determined in accordance with Sections 450 and 451 of the Corporation Tax Act 2010);

Change in Applicable Law means any change in Applicable Law, (including any anticipated or prospective changes in Applicable Law of which the parties were, or ought to have been, aware of prior to the Contract Award Date) which impacts on the provision or performance of the Services and which comes into force after the Commencement Date;

Charter Documents means the Insurance Assignment, the Subordination Letter and the Charterer Account Charge, (each as defined in the MV Loch Seaforth Bareboat Charterparty), entered or to be entered into between CMAL and the Operator and Maritime Leasing (No 19) Limited of even date herewith;

Charter Portion means the instalments of Charterhire and all other amounts payable by the Operator to CMAL under the Ship Charters as shown in the Base Case;

CHFS means the Clyde and Hebrides Ferry Services;

CMAL means Caledonian Maritime Assets Ltd., a Scottish private limited company (SC001854) wholly owned by the Scottish Ministers;

Comhairle nan Eilean Siar means Comhairle nan Eilean Siar Council a local authority constituted and incorporated under the Local Government etc. (Scotland) Act 1994 and having its principle offices at Council Offices, Sandwick Road, Stornoway HS1 2BW;

Commencement Date means 1 October 2016;

Commercial Vehicle Rate means the fare structure applied to vehicles of length greater than 6m, weight greater than 3.5 Tons, height greater than 3m or width greater than 2.3m which are not subject to charges under RET;

Comparable Services means services that are identical or materially similar to the Benchmarked Services (including in terms of scope, specification, volume and quality of performance) provided that if no identical or materially similar services exist in the market, the Benchmarking shall propose an approach for developing a comparable service benchmark;

Comparison Group means a sample group of organisations providing Comparable Services identified by the Benchmarking under paragraph 4.1.7 of Schedule 17 which consists of organisations which are either of similar size to the Operator or which are similarly structured in terms of their business and their service offering so as to be (in the Benchmarking's professional opinion) fair comparators with the Operator or which, in the professional opinion of the Benchmarking, are best practice organisations and that are carrying on at least a significant part of their business within the United Kingdom;

Consumer Prices Index or **CPI** means the Consumer Prices Index as published from time to time by the Office of National Statistics or such index as replaces the same provided always that if the CPI is rebased at any time in the period between the Mobilisation Date and the expiry or termination of this Contract, it shall nonetheless be determined as if such rebasing had not occurred. In the event of the abolition or a fundamental variation in the basis of the said Index (other than rebasing), the manner in which any sums referred to in this Contract which are to be varied by reference to CPI are to be varied will be as agreed between the Scottish Ministers and the Operator. In the event that such agreement has not been reached by the date on which the Grant next falls to be calculated (or re-calculated)

using CPI the manner in which any sums referred to in this Contract are to be varied must be determined in accordance with Clause 51;

Contract means this Contract between the Scottish Ministers and the Operator, including the Schedules, and any agreement which replaces or supersedes any of the foregoing or any part of the foregoing, all as amended, supplemented or varied from time to time;

Contract Variation means any variation to the Contract as set out in a Contract Variation Notice, other than an Operational Variation;

Contract Variation Form means the form set out in Schedule 16;

Contract Variation Notice will be construed in accordance with Clause 14 and Variation will be construed accordingly;

Credit Rating Thresholds means the credit rating thresholds as set out in the Appendix to Schedule 13 Part B;

Cure Notice means a notice by the Scottish Ministers to the Operator requiring the Operator to submit within 14 days a Cure Plan which will, if performed, cure or remedy the matters referred to in the notice to the satisfaction of the Scottish Ministers within a period acceptable to the Scottish Ministers;

Cure Plan means the programme of action referred to in the Cure Notice;

Customer Care and Accessibility Process will be construed in accordance with Schedule 10;

Dangerous Goods means those listed as such in the International Maritime Dangerous Goods (IMDG) Code as applicable at the time for adoption on a voluntary basis;

Data Controller has the meaning given in section 1(1) of the Data Protection Act 1998;

Discount Policy means any policy of the Scottish Ministers regarding discounting of the Commercial Vehicle Tariff and the passenger and vehicle tariff;

Discount Policy Variation means an amended Discount Policy to be issued to the Operator by Scottish Ministers in accordance with the provisions of clause 7.7;

Dispute means any dispute, difference or question of interpretation arising out of or in connection with this Contract, including any dispute, difference or question of interpretation relating to the Services, or any matter where this Contract directs the parties to resolve an issue by reference to the Dispute Resolution Procedure;

Dispute Resolution Procedure will be construed in accordance with Clause 51;

Eligible Employee means any employee of the Operator or any Sub-contractor which is an Associated Company (other than an Outgoing Operator Employee), who is wholly or mainly assigned to the provision of the Services;

Eligible Costs means operational costs excluding vessel costs related to new, varied or terminated Ship Charters, harbour dues, fuel prices and all staff costs (including without limitation, any staff costs arising from any reduction in staff numbers as a result of redundancy).

Eligible Excess Payment will be construed in accordance with Schedule 13 Part A, Paragraph 5;

Eligible Revenue means any increase in Revenue in any Service Year that consists of an increase in fares receipts which derives directly from an increase in the volume of traffic and/or loose freight and parcels across the Services and/or an increase in the receipts for retailing or catering or other ancillary activities above the level stated in the Base Case for the relevant Service Year;

Employees means those employees of Calmac Ferries Ltd and or of Caledonian MacBrayne Crewing (Guernsey) Ltd. (the **Employing Entity**) who are in each case wholly or mainly assigned to the provision of services materially similar to the Services immediately prior to the Commencement Date (save for those who object to the transfer pursuant to regulation 4(7) of TUPE);

Environmental Management Plan will be construed in accordance with Schedule 9;

Escalation Process means the initial stages of the process for dealing with Disputes without the intervention of third parties as set out in the Dispute Resolution Procedure;

Evaluation will be construed in accordance with Clause 14;

Event of Default means the occurrence of any of the events set out in Clause 53.1;

Excess Payment will be construed in accordance with Schedule 13 Part A, Paragraph 5.1;

Expert means the expert appointed in accordance with Clause 51;

Expiry Date means 30 September 2024 and Expiry will be construed accordingly;

Equivalent Services Data means data derived from an analysis of the Comparable Services provided by the Comparison Group as adjusted in accordance with paragraph 4.9 of Schedule 17;

Financial Distress Event means the occurrence of one or more of the events listed in paragraph 3.1 of Schedule 13 Part B;

Financial Distress Service Continuity Plan means a plan setting out how the Operator will ensure the continued performance and delivery of the Services in accordance with this Contract in the event that the Operator suffers a Financial Distress Event;

Fleet Bareboat Charterparty means the bareboat charter for the Vessels described in Schedule 5 (excluding "LOCH SEAFORTH"), to be signed between CMAL and the Operator.

Fleet Vessels means the vessels described in Schedule 5 Part A as such, and leased to the Operator under the Ship Charters;

Force Majeure Event means:

- (a) war, civil war (whether declared or undeclared) or armed conflict;
- (b) nuclear explosion, radioactive, biological or chemical contamination, ionising radiation (but not arising from any act of terrorism); or
- (c) substantial damage arising from the effect of sonic booms,

in each case occurring after the Mobilisation Date;

Freight Services means the services between Ullapool and Stornoway which operate Sunday to Friday, Depart Stornoway 2230, Arrival Ullapool 0100 and Depart Ullapool 0300, Arrival Stornoway 0530.

Fuel Cost will be construed in accordance with Schedule 13, Paragraphs 5.5 to 5.11;

Fuel Management Programme will be construed in accordance with Clause 18.3 and formatted as the draft Fuel Management programme set out in Schedule 12;

General Change in Applicable Law means a Change in Applicable Law where the change is of a general legislative nature (including taxation or duties of any sort affecting the Operator);

Good Working Order means fully fit to perform the functions for which the asset has been designed and having a residual life expectancy of at least one year or that pertaining when the asset was taken over less the effects of reasonable wear and tear, whichever is greater;

Good Value means the organisation and execution of the Services are efficient and effective in relation to the performance of the Benchmarked Service and Grant payments attributable to a Benchmarked Service, having taken into account the Service Levels, less than or equal to the Average Price;

Grant will be construed in accordance with Clauses 17 to 26 and Schedule 13, and references to "Grant" include where the context so requires or admits references to Monthly Instalments;

Grant Claim Form means the form referred to in Schedule 13 Part A paragraph 1;

Grant Period means the period commencing on the Commencement Date and finishing on the Expiry Date or in the event of early termination the Termination Date;

Group will be construed in accordance with the Companies Act 2006;

Handover Assistance Plan means the timetable and activity plan for handover assistance with respect to the Services, which must include details of all forward bookings and reservations made and deposits received;

Harbour means each and any of the harbours listed at Part D of Schedule 5;

Harbour Inoperability means that the Harbour is for any reason not capable of handling the Vessel serving the Harbour or any other vessel deployed by the Operator for the purposes of providing the Services;

Harbour Operating Agreement means the harbour operating agreement entered into by the Operator and CMAL;

Health & Safety Plan will be construed in accordance with Schedule 8;

Heraldic Device Agreement means the agreement for the licence of the heraldic device entered into by the Operator and CMAL;

Highland Council means Highland Council a local authority constituted and incorporated under the Local Government etc. (Scotland) Act 1994 and having its principle offices at Glenurquhart Road, Inverness IV3 5NX;

Incoming Operator means any person other than the Operator with whom the Scottish Ministers enter into a New Contract;

Index Linked to a succeeding Service Year in respect of a sum means that the sum is multiplied by the following factor:

$\frac{\text{CPI [x]c}}{\text{CPI [x]p}}$

Where:

CPI [x]c is the Consumer Price Index published for the Month of August in the Service Year immediately prior to that in which Index Linking is being applied; and

CPI [x]p is the Consumer Price Index published for the Month of August in the previous Service Year,

and cognate expressions will be construed accordingly.

(E.g. for an Index Linked change to be applied in the Service year 2017/18 then the indices CPI [x]c will be that for August 2017 and CPI [x]p that for August 2016);

Initial Timetable means the sailing departure and arrival times for sailings set out in the Winter Ferry Timetables 27 October 2014 – 2 April 2015 published by Calmac Ferries Ltd and the Summer Ferry timetables 3 April – 25 October 2015 published by Calmac Ferries Ltd.;

Insolvency Event means the occurrence of any of the following events (or any event analogous to any of the following in any jurisdiction) in relation to the relevant entity:

- (a) the entity passing a resolution for its winding up or a court of competent jurisdiction making an order for the entity to be wound up or dissolved or the entity being otherwise dissolved;
- (b) the appointment of an administrator of, or the making of an administration order in relation to, the entity or the appointment of a receiver or administrative receiver over the whole or part of the entity's undertaking, assets, rights or revenue;
- (d) the entity being unable to pay its debts or being deemed unable to pay its debts within the meaning of section 123 of the Insolvency Act 1986; or
- (e) the entity entering into any arrangement, compromise or compromise or composition in satisfaction of its debts with its creditors;

However, a resolution by the relevant entity or a court order that such entity be wound up for the purpose of a bona fide reconstruction or amalgamation shall not amount to an Insolvency Event;

Insurances means all policies of insurance taken out from time to time in respect of any Vessel throughout the Grant Period, together with all variations, modifications, extensions, or other alterations thereof;

Intellectual Property Rights means (a) copyright, rights related to or affording protection similar to copyright, rights in databases, patents and rights in inventions, semi-conductor topography rights, trade marks, rights in Internet domain names and website addresses and

other rights in trade names, designs, know-how, trade secrets and other rights in Confidential Information; (b) applications for registration, and the right to apply for registration, for any of the rights listed at (a) that are capable of being registered in any country or jurisdiction; and (c) all other rights having equivalent or similar effect in any country or jurisdiction;

Interim Timetable means the timetable specified in Clause 8.1 and shall be the Initial Timetable, if expedient as varied by the Scottish Ministers as set out in Schedule 3, such a variation being deemed as a Variation under Clause 14;

Key Personnel means the Operator's employees identified as such in accordance with Schedule 11;

Legislation means any Act of Parliament, including any local, personal or private Act of Parliament, any subordinate legislation (as that expression is defined in section 21(1) of the Interpretation Act 1978), any exercise of the Royal Prerogative and any enforceable community right (as that expression is defined in section 2 of the European Communities Act 1972) and any bylaws, statutory instruments, orders, notices, directions, codes of practice, consents or permissions properly and lawfully made or given under any of the foregoing (including for the avoidance of doubt, any legislation enacted by any Scottish Parliament or assembly or similar body and any subordinate or delegated legislation made by the Scottish Ministers or other person deriving authority from such legislation);

Lessor means CMAL or Lloyds TSB Maritime Leasing (No 19) Ltd in respect of the MV Loch Seaforth and such other entity as may be notified from time to time;

Maritime Cabotage Regulations means Council Regulation (EEC) No 3577/92 of 7 December 1992 (applying the principle of freedom to provide services to maritime transport within Member States (maritime cabotage));

Marketing Plan will be construed in accordance with Schedule 7;

Material Reduction shall be construed as a reduction in Revenue in accordance with Schedule 13 Part A paragraph 3.1.9

MCA means the Maritime and Coastguard Agency and any successor body or bodies;

Mobilisation Costs means the costs specified as such in the Base Case model;

Mobilisation Date means 22 August 2016;

Mobilisation Period means the period starting from the Mobilisation Date and ending on the Commencement Date;

Mobilisation Plan means the mobilisation plan set out at Schedule 6;

Monitoring Procedures means the procedures set out in Schedule 15;

Month means each calendar month during the Grant Period, provided that where the Commencement Date does not fall on the first day of a calendar month that Month shall be deemed for the purposes of this Contract to commence on the Commencement Date and where the Termination Date does not fall on the last day of a calendar month that Month shall be deemed for the purposes of this Agreement to end on the Termination Date;

Monthly Fuel Statement will be construed in accordance with Schedule 13 Part A, Paragraph 5.6;

Monthly Instalments will be construed in accordance with Clauses 17 to 26 and Schedule 13 Part A;

New Contract means any arrangement or contract of whatsoever nature in relation to the provision by the Scottish Ministers of a grant in respect of public transport services by sea to the Clyde and Hebrides similar in scope to the Services commencing subsequent to the Expiry or Termination of this Contract;

Non Contributory Emergency means any threat to the safety of life or property at sea affecting any person or vessel but not including any threat to a Vessel arising from a failure by the Operator to perform its obligations under this Contract or the Principal Contracts;

Operating Costs means all proper and reasonable costs incurred during the relevant period by the Operator in order to allow it to provide the Services during that period excluding Fuel Costs;

Operational Management Systems will be construed in accordance with Schedule 14, Part A;

Operational Variation has the meaning ascribed in Clause 14;

Operator Employment Liabilities means costs, claims liabilities and expenses (including reasonable legal expenses) relating to or arising out of the employment of the Transferring Employees in the period from and including the Commencement Date including, without prejudice to the foregoing generality, negligence claims by any of such employees or any third party, unfair dismissal, redundancy, unlawful discrimination, breach of contract, claims in relation to pension entitlement, unlawful deduction of wages and equal pay;

Operator's Representative means the suitably qualified and competent individual nominated by the Operator to be the main point of contact with the Scottish Ministers during the Contract Period and recorded in Schedule 11 Part B;

Operator's Return means the Operator's return shown in the Base Case;

Operator's Revenue A Account means the account identified as such and notified by the Operator and CMAL to the Scottish Ministers;

Operator's Revenue B Account means the account identified as such and notified by the Operator to the Scottish Ministers;

Operator's Vessel Obligations will be construed in accordance with Schedule 5, Part B;

Outcome Operator's Return means the Operator's Return plus the Varied Reward;

Outgoing Operator means CalMac Limited together with any of its Associated Companies and any subcontractors employed wholly or mainly in the provision of the Services;

Outgoing Operator Employee means any employee of the Outgoing Operator or any of its Associated Companies engaged in, or wholly or mainly assigned to, the provision of the Services or any part of the Services to whom the Employment Regulations will apply on the Relevant Transfer Date;

Party means either of the parties to this Contract;

Passenger and Vehicle Tariff shall be construed in accordance with clause 7;

Pension Benefits means any benefits (including but not limited to pensions related allowances and lump sums) relating to old age, invalidity or survivor's benefits provided under an occupational pension scheme;

Pension Liability means any increase in any deficit in the CalMac Pension Fund, from the Commencement Date until the expiry or earlier termination of the Contract which relates to Outgoing Operator Employees or Eligible Employees who are members of the CalMac Pension Fund;

Performance Deductions will be construed in accordance with Clause 22;

Performance Measures means all or any of the Performance Measures for the Services as set out in Schedule 15, Part 2;

Performance Regime will be construed in accordance with Schedule 15;

Personal Data has the meaning given in section 1(1) of the Data Protection Act 1998;

Plans shall include, the Marketing Plan including the Supplements, the Health and Safety Plan, The Environmental Management Plan, the Customer Care and Accessibility Process, the Equalities Impact Assessment, the Human Resources Strategy, and as appropriate the Mobilisation Plan, the Cure Plan and the Financial Distress Service Continuity Plan;

Port means the port infrastructure at each or any of the ports or harbours set out in Schedule 5;

Port Dues means the dues payable by the Operator for the use of the Ports in connection with the provision of the Services as set out in the Base Case;

Principal Contracts means the following contracts entered or to be entered into between CMAL and the Operator (or the CMAL, the Operator and Maritime Leasing (No 19) Ltd as appropriate) of even date herewith: the Tripartite Agreement, Harbour Operating Agreement, Fleet Bareboat Charterparty, Property and Equipment Licence, Trade Mark Licence Agreement, Heraldic Device Agreement, MV Loch Seaforth Bareboat Charterparty, the Charter Documents;

Projected Fuel Costs means those costs for each grade of fuel the Operator will use in the provision of the Services, which is estimated in the Fuel Management Programme to be representative for the next Service Year until the Annual Fuel Reconciliation exercise is undertaken;

Projected Fuel Liability means the Projected Fuel Costs for each grade of fuel the Operator will use in that Service Year, multiplied by the Projected Volume for each grade of fuel;

Projected Volume – means the annual fuel Volume figure (Litres) split according to the volume of each grade as appears in the Fuel Management Programme;

Public Sector Contribution will be construed in accordance with Clause 25;

Published Tariff Scheme will be construed in accordance with Clause 7;

Quarter or Quarterly means each period of three months during the Grant Period where the first Quarter commences on the Commencement Date and ends on the preceding day in the third following calendar month or, if the third following calendar month has no numerically preceding day, on the last day of the appropriate calendar month and where the Termination Date does not fall on the last day of a Quarter that Quarter shall be deemed for the purposes of this Contract to have ended on the Termination Date;

Rating Agencies means the rating agencies listed in Schedule 13 Part B;

Regional Transport Partnership means any such partnership created by the Scottish Ministers pursuant to the Transport (Scotland) Act 2005;

Relief Event means an event described in Schedule 15, Part 3: Relief event;

Rent Portion means the amount payable by the Operator under the charter for the MV Loch Seaforth;

RET means Road Equivalent Tariff as published by the Scottish Ministers from time to time;

RET Formula means a formula based methodology as modified or adjusted from time to time by the Scottish Ministers for the calculation of fares applying to the RET Tariff and the Trade Tariff provided to the Operator by the Scottish Ministers in accordance with clause 7;

Revenue means the Operator's income from the Services for the relevant period including but not limited to all Public Sector Contributions and reimbursements from Transport Scotland or any Regional Transport Partnership in relation to Concessionary Travel entitlements and all amounts received by the Operator as a result of actual or threatened litigation, arbitration or other proceedings but not including any amounts paid or payable to the Operator by the Scottish Ministers under Clauses 17 to 24;

Revised Base Case will be construed in accordance with Schedule 13 Part A;

Revised Base Case Recalculation will be construed in accordance with Schedule 13 Part A and Clause 20;

Revised Tariff Structure means a change to the opening tariff structure of RET, Trade Tariff and Commercial Vehicle Tariff or the methodology applied to derive any of these components;

Schedule means one of the Schedules to this Contract;

Scheduled Ferry Service shall have the meaning given to it in Schedule 3;

Scheduled Maintenance Programme means the programme for scheduled maintenance of the Vessels, set out in Schedule 5, Part C;

Scheduled Unavailability means, in respect of each of the Vessels a period during which the Vessel is scheduled to be unavailable to provide the Services whilst scheduled maintenance is taking place as specified in the Scheduled Maintenance Programme;

Scheme Employer means an employer which is a member of an occupational pension scheme;

Scottish Ministers means the Scottish Ministers and their successors to their interest under this Contract;

Scottish Ministers' Representative means the suitably qualified and competent individual nominated by the Scottish Ministers to be the main point of contact with the Operator during the Contract Period, and as specified in Schedule 11 Part B;

Senior Operator's Representative means the suitably qualified and competent individual nominated by the Operator and as specified in Schedule 11 Part B and to be responsible for resolving Disputes in accordance with Clause 51.1;

Senior Representative's Board will be construed in accordance with Clause 51.1;

Senior Scottish Ministers' Representative means the suitably qualified and competent individual nominated by the Scottish Ministers and as specified in Schedule 11 Part B and to be responsible for resolving Disputes in accordance with Clause 51.1;

Services means those public transport services as specified in Schedule 3;

Service Year means each period of twelve Months of the Grant Period, the first Service Year commencing on the Commencement Date and each subsequent Service Year commencing on each anniversary of the Commencement Date and in the last Service Year terminating on the Expiry Date or the Termination Date as the case may be;

Ship Charters means the charterparties by way of demise in respect of the Fleet Vessels between the Operator and CMAL or dated on or about the date hereof and shall include the Fleet Bareboat Charterparty and the Bareboat Charterparty for the MV Loch Seaforth and any subsequent amendment thereto either or further Charterparty entered into for the purposes of providing the Services;

Specific Change in Applicable Law means a Change in Applicable Law that relates specifically to the Operator and/or Services and which would not apply to the Operator if it was not a Party to the Contract;

Subcontracts Register means the register of all subcontracts for supplies and services on which the provision of the services depend and shall include the title of the subcontract, the contracting parties, the nature of the supplies or services, the dates of commencement and expiry of the contracts and the value of the contract;

Tariff Period means the period in any Calendar year from the earlier of (a) the commencement of the Easter holidays of the majority of the Scottish schools and (b) Good Friday until the commencement of the next Tariff Period;

Tariff Index Linking means in respect of a fare that the fare (excluding any element of the tariff which is set at nominal prices by a third party) is applied from the start of the Tariff Period after being multiplied by the following factor:-

CPI Jc
CPI Jp

Where **CPI Jc** is the Consumer Price Index published for the Month of August prior to the Summer Timetable Period in which Tariff Index Linking is being applied, and

CPI Jp is the Consumer Price Index published for the Month of August in the previous Service Year,

and cognate expressions will be construed accordingly.

(E.g. for a Tariff Index Linking change to be applied from the start of the Summer Timetable period 2018 then the indices CPI Jc will be that for August 2017 and CPI Jp that for August 2016);

Termination Date means the date of termination of this Contract prior to the Expiry Date;

Timetable means the timetable described in Schedule 3 as the same may be amended from time to time in accordance with this Contract;

Trade Mark Licence means the agreement for the licencing of various trade marks entered into between the Operator and CMAL;

Trade Tariff means shall be construed in accordance with clause 7;

Transfer Assistance Period means the period from 12 months prior to the Expiry Date, or if earlier the date that the Operator becomes aware that the provision of the Services is to cease prior to the Expiry Date, until the Expiry Date or Termination Date as appropriate;

Transfer Option means an option given to each Outgoing Operator Employee with accrued rights in the Pension Schemes as at the Date, to transfer those rights to the Operator's Broadly Comparable scheme, to be exercised by the Transfer Option Deadline, to secure year-for-year day-for-day service credits in the relevant scheme (or actuarial equivalent, where there are benefit differences between the two schemes);

Transfer Option Deadline means the first Business Day to fall at least 3 months after the notice detailing the Transfer Option has been sent to each Outgoing Operator Employee;

Transferring Assets means any assets to be or which have been acquired or improved by the Operator pursuant to Clause 24, or which were provided to the Operator by the Outgoing Operator at the Commencement Date, maintained by the Operator in accordance with Clause 39.1 and listed in the Transferring Asset Register;

Transferring Asset Register will be construed in accordance with Clause 12 and Schedule 5, Part E;

Tripartite Agreements means the tripartite agreement among the Operator, the Scottish Ministers and CMAL dated on or about the date hereof;

TUPE means the Transfer of Undertakings (Protection of Employment) Regulations 2006;

Urgent Variation means a variation undertaken in the circumstances referred to in Clause 14.16;

Unscheduled Ferry Service shall have the meaning given to it in Schedule 3;

Varied Reward will be construed in accordance with Schedule 13, Paragraphs 5.3 to 5.4;

Vessels means the Fleet Vessels and such other vessel employed from time to time by the Operator for the provision of all or any part of the Services as has been approved by the Scottish Ministers in accordance with Clause 6.

2. INTERPRETATION

In this Contract, except where the context otherwise requires:

- a) all references to Clauses and Schedules are references to Clauses of and Schedules to this Contract and all references to paragraphs are references to paragraphs contained in the Schedules;
- b) words importing the singular include the plural and vice versa;
- c) any reference to any enactment, order, regulation or other similar instrument will be construed as a reference to the enactment, order, regulation or instrument (including any EU instrument) as from time to time amended, replaced, consolidated, extended or re-enacted;
- d) all references to agreements, documents, or other instruments include a reference to that agreement, document or instrument as amended or supplemented from time to time or to any replacement or superseding agreement, document or instrument;
- e) the headings to the Clauses are inserted for convenience only and shall not affect the interpretation of this Contract;
- f) any notice, instruction, notification, direction, request, consent or approval contemplated herein will be made or given in writing;

g) anything which may be done by the Scottish Ministers may be done by any person duly authorised by the Scottish Ministers for that purpose;

h) The following provisions of the Schedules have been drafted by the Operator:

Schedule	Paragraph	Item description
3	1.17	Additional service offerings and contractual undertakings
5 Part A	4	Without prejudice undertakings in relation to the deployment of Fleet Vessels
	5	Proposed investment in the Fleet Vessels
5 Part C	2	Without prejudice proposals to undertake the execution of the scheduled maintenance
5 Part D	3.2	Port and Harbour facilities to be procured by the Operator for the delivery of the Services (CMAL Harbours)
	4.2A	Port and Harbour activities to be performed by the Operator CMAL Harbours)
	4.3	Port and Harbour facilities to be procured by the Operator (Non CMAL Harbours)
	7.2A	Alternative safe harbours procured and facilities which will be made available
6	2	Draft Mobilisation Plan
	3	Management reporting for the Mobilisation Plan
7	1	Marketing Plan
	2	Proposal for a Smart and Integrated Ticketing and Booking System
	3	Proposals for improving Access and Interchange
8	2	Outline plan (to be developed into the Health and Safety Plan)
9	2	Outline plan (to be developed into the Environmental Management Plan)
10	1.2	Customer Care and Accessibility Process
	1.3	Proposals (for regard by the Operator in the annual preparation of the Equalities Impact assessment)
	1.5	Customer Complaint Process
11 Part A	1.2	Initial Human Resources Strategy
11 Part B	1.1	Table identifying Operator's Representatives and Key

		Personnel
12	Initial Base Case Schedule	Initial Base Case Schedule
	Initial Base Case	Independent Audit Certificate
	Draft Fuel Management Programme	Draft Fuel Management Programme
14 Part A		Operational Management Systems
		Key Performance Indices

i) The terms “Target dates” and “Milestone Dates” within the provisions listed in paragraph “h” above means the last working day within the period so specified and as such shall refer to the date by which the activities within the relevant contractual undertaking will be completed.

j) Any reference to “CY” or “Contract Year” within the provisions listed in paragraph “h” above means “Service Year” as defined in Schedule 1.

k) any reference to us, we or our or CFL contained within the provision listed in paragraph “h” above means the Operator (Calmac Ferries Ltd); and

l) any reference to numbering contained within the provision listed in paragraph “h” above relates exclusively to the numbering within the provisions (unless expressly stated otherwise).

m) The contents of Part 4 comprise text reproduction of the embedded files or imported and referenced documents within the Schedules included within Parts 1-3 and each item so reproduced has been referenced to the Schedule and Schedule paragraph appearing within Parts 1-3.

Signed for and on behalf of the Scottish Ministers

Signed for and on behalf of Calmac Ferries Ltd

Signature.....

Signature.....

Executed Contract 22.08.16

Clyde and Hebrides Ferry Services
Contract for Provision of Ferry Services
Schedule 2

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SCHEDULE 2 - CONDITIONS PRECEDENT (TO PAYMENT OF GRANT)

This page comprises Schedule 2 to the foregoing Contract between the Scottish Ministers and Calmac Ferries Ltd.

The completion of the following activities and execution of instruments shall be conditions precedent to the payment of Grant:

- a) Establishment as a Community Shipowner;
- b) Full implementation of Mobilisation Plan excluding any item which has been scheduled to occur after commencement of the Services;
- c) Copy of any Commercial/ Operational/Access Agreements with each other Port or Harbour operator to provide a guarantee of access for the purposes of the Services;
- d) All certificates required by MCA or other relevant regulatory body;
- e) Evidence of Insurance arrangements;
- f) The Insurance Assignment and the Charterer Account Charge both as defined in the MV Loch Seaforth Bareboat Charterparty).

Signed for and on behalf of the Scottish
Ministers

Signed for and on behalf of Calmac
Ferries Ltd

Signature.....

Signature.....

Executed Contract 22.08.16

Clyde and Hebrides Ferry Services
Contract for Provision of Ferry Services
Schedule 2

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SCHEDULE 3 – SERVICES

This and the following pages 85-163 comprise Schedule 3 to the foregoing Contract between the Scottish Ministers and Calmac Ferries Ltd.

1. THE SERVICES

- 1.1. The Services shall be Scheduled Ferry Services and Unscheduled Ferry Services.
- 1.2. The Scheduled Ferry Services are public transport services by sea (including but not limited to the transport of passengers, accompanied vehicles, unaccompanied vehicles, loose freight and parcels, unaccompanied goods, livestock lorries and Dangerous Goods) between the Harbours and Ports and delivered from and onto quay and all as specified in accordance with the Timetable, which Timetable will be the Initial Timetable as developed and as may be varied in accordance with Clauses 6 and 8, and the Freight Services.
- 1.3. The Unscheduled Ferry Services are public transport services by sea (including but not limited to the transport of passengers, accompanied vehicles, unaccompanied vehicles, loose freight and parcels, unaccompanied goods, livestock lorries and Dangerous Goods) between the Harbours and Ports and delivered from and onto quay which are required to respond to circumstances and special events which temporarily create higher levels of demand. An illustrative but not exclusive list of such events is set out in Appendix 1 to this Schedule 3.
- 1.4. The Operator must comply with the Timetable, except:
 - 1.4.1. during any period of Scheduled Unavailability of any vessel of up to 6 weeks in a Service Year (or 7 weeks in a Service Year in which Vessels are required to undergo a Special Survey drydocking) where or to the extent that the Timetable could not have been reasonably expected to be maintained by Cascade ;
 - 1.4.2. as the direct consequence of a Relief Event;
 - 1.4.3. where it is necessary to adjust the times as a direct and unavoidable consequence of tidal conditions.

1.5. The Services must include:

- 1.5.1. the manning of terminals and harbour facilities for the purposes of embarking and disembarking passengers, loading and discharging of accompanied vehicles, unaccompanied vehicles, loose freight and parcels, unaccompanied goods, livestock lorries and Dangerous Goods;
- 1.5.2. facilities for accepting reservations, issuing tickets and other relevant documentation and marketing the operation of a common timetable, ticketing and fares database for all routes permitting reservation sales and credit card payments by telephone and internet as well as at the Operator's office and through travel agents;
- 1.5.3. the provision of a detailed internet website and smartphone "App" providing links to on-line information and reservation systems, seasonal timetables, a help-desk facility and an early warning notice board to flag any disruptions and changes to the Services caused by bad weather, and the provision of real time information to passengers (through the website, smartphone App, on vessels and in Harbour offices and waiting rooms) and to road and public transport information systems (e.g. Traveline) for travellers to and from the Ferry Services;
- 1.5.4. The Ferry Services include the operation and servicing of variable message boards at the following locations:

Barra
Claonaig
Cumbrae
Eriskay
Fishnish
Iona
Kilchoan
Leverburgh
Lochaline
Lochmaddy
Lochranza
Otternish
Portavadie

Rhubodach
Sconser
Tarbert (Harris)
Tarbert (Loch Fyne)
Tayinloan
Broadford
Fort William
Skye Bridge

- 1.5.5. the active participation (including the adoption of logos and use of hyper-text link) of the Operator in Traveline and Transport Direct (or any other public transport information and/or journey planning website specified by the Scottish Ministers in place of or in addition to either of them) and co-operation, to the reasonable satisfaction of the Scottish Ministers with relevant tourist organisations and the operators of train and local bus services and other ferry operators in the Clyde and Hebrides to achieve integrated timetables, facilitate integrated services, participate in marketing initiatives and promote linkage between the Services and other modes of transport in the Clyde and Hebrides;
- 1.5.6. the operation of a passenger recording system in accordance with applicable law;
- 1.5.7. the safe and efficient management and operation and maintenance of the Vessels so as to comply with Applicable Law including the provision of appropriate catering and all necessary administration facilities;
- 1.5.8. the provision of additional sailings for the transport of livestock or for special events, which temporarily create higher levels of demand;
- 1.6. The Services shall be operated employing the name Caledonian MacBrayne in accordance with the Trade Mark Licence and the Heraldic Device Agreement and no other service name shall be employed without the prior consent of the Scottish Ministers. Where, with the agreement of the Scottish Ministers, the Operator provides a vessel not being a Fleet Vessel then it will fly the house flag but will not require to be painted in the Caledonian MacBrayne livery.
- 1.7. The Ferry Services include the displaying the names of CMAL Vessels in both Gaelic and English as well as the provision of bi-lingual (Gaelic and English)

announcements, literature and signage in passenger areas of Vessels serving the following routes:

Stornoway - Ullapool

Uig - Lochmaddy & Tarbert (Harris)

Oban - Craignure

Oban - Colonsay

Oban – Colonsay – Port Askaig - Kennacraig

Oban – Castlebay - Lochboisdale

Oban – Coll & Tiree (including inter-island links to Barra)

Islay - Kennacraig

Berneray - Leverburgh

Sconser - Raasay

Oban - Lismore

Tobermory - Kilchoan

Portavadie - Tarbert (Loch Fyne)

Mallaig - Armadale, Run, Eigg & Muck

- 1.8. The Operator shall participate fully in any integrated ticketing initiatives which are judged by the Scottish Ministers to benefit the public.
- 1.9. The Operator must liaise with rail and bus operators to agree contingency arrangements in the event sailings are delayed.
- 1.10. The Services include lifeline support to the emergency services as required and the Operator will provide the emergency services with out of hours contact details for the purpose of providing this support.
- 1.11. The Timetable will comprise of a Winter timetable and a Summer timetable. The Summer timetable will apply for a minimum of 28 continuous weeks and must allow sufficient time for winter overhauls. The minimum duration of the Summer timetable is from the start of the majority of Scottish Easter school holidays or Good Friday of the Easter weekend, whichever is earlier until the end of the majority of Scottish schools' half term break in October (usually the third Sunday in October each year). The Summer timetable will start on a Friday and end on a Sunday. The Winter timetable will operate the remainder of the year.

- 1.12. The Operator shall produce and distribute either an annual brochure or bi-annual brochures in the form of booklets covering all routes covered by the Services. The brochure must advertise timetables and booking information for all routes and shall be published no later than October each year, setting out the impending Summer timetable and fares and in the case of an annual brochure the immediately following Winter timetable as well as timetable information for connecting public transport services. Where bi-annual brochures are published, that showing the Winter timetable, etc. shall be published no later than the preceding April.
- 1.13. The brochure must include without charge timetables for other ferry services provided by local authorities and private operators in the Clyde and Hebrides. The Operator is also expected to work closely with local tourist boards and to participate in local initiatives. The Operator should permit other organisations to advertise the relevant ferry services information. Timetables should also be published on the Operators website and be available on board Vessels, and in Harbour offices and waiting rooms.
- 1.14. The Services include a requirement to attend and contribute to meetings with the Scottish Ministers in relation to route and vessel development where requested by the Scottish Ministers.
- 1.15. The Operator must allow time for intermodal transfers where timetable variations are being proposed. The Operator must also take account of the guidance on travel issued by the Guide Dogs for the Blind Association.
- 1.16. The Operator must comply with the requirements of Clause 6.2 to provide the Services as specified by the Operator and included in the Schedules.
- 1.17. The Operator undertakes that the following service offerings and contractual undertakings numbered 1.2.1 to 1.2.5 are additionally included within this Schedule
- 3

1.2.1 Summer Timetables




6. Strategy for engaging with communities on changes to the timetables and engagement with Transport Scotland for Ministerial approval

We will create a new Community and Stakeholder Director level role, reporting to the Managing Director, responsible for providing direction and ensuring that we have a coherent plan for engaging with the communities and stakeholders. They will be responsible for establishing a new Community Board to enable the communities to have an influence upon our thinking, investment and decision-making.

We will continue to adopt an efficient, transparent approach to engaging communities in any proposed timetable changes, building on our experience delivering the requirements of the Ferries Plan, timetable consultations to date and the community engagement meetings conducted during June 2015.

Our Head of Service Delivery Planning, and / or the Director of Community and Stakeholder Engagement will supply minutes of all meetings attended for the purpose of timetable consultation in accordance with the requirements of Clause 40 of the Contract (as recorded by the meeting secretariat) to Transport Scotland.

All requests for changes to timetables whether they originate from communities, stakeholders or disabled persons organisations (DPOs), Transport Scotland or us will be subject to a process of evaluation:

- » Stage 1: This will be a technical feasibility assessment – do we have a vessel and berths available? If yes, then Stage 2.
- » Stage 2: This test will be an operational feasibility assessment – do we have sufficient crew and port staff resource available (including any hours of rest considerations) to operate the required timetable? If yes, then Stage 3.
- » Stage 3: An assessment of likely costs and incomes – a full business case.
- » Stage 4: Pass the completed file to Transport Scotland / Scottish Ministers for consideration and decision.

At any stage of the process if the request is declined, the option does not progress any further.

We confirm that we will meet the following contractual obligations:

- » Following consultation Scottish Ministers require a minimum of 45 Business Days' notice of any proposed alterations to the timetable. Following Ministerial approval a revised timetable is to be published as required by the Contract at least 20 Business Days prior to the timetable commencing.

- » For timetable changes which are to be published in the annual / bi-annual brochure / booklet approvals are required by 16 September for the following summer timetables.

We note that it is a stated requirement of Scottish Ministers that any timetable proposals will not have the effect of reducing the number of sailings or otherwise materially altering the Service and we will comply with this.

We will undertake all community / stakeholder engagement as stated in our community engagement strategy within our Marketing Plan. This Plan will be developed further during the mobilisation phase. Our newly appointed Community and Stakeholder Director supported by the Head of Service Delivery Planning, and Heads of Regional Service Delivery North and South will be responsible for delivering timetable engagement.

- » Our engagement strategy will be to minimise the time that we need to consult on timetables and we will seek to carry this out using an efficient process which is network wide in its consideration, transparent and auditable. We will seek to use technology to support this, e.g. use of a specific section on our website for timetable consultation feedback, or video conferencing and will make our local facilities available for this aspect of engagement.
- » We will use the opportunity to consult on potential changes to both winter and summer timetables together, as opposed to two distinct cycles. This will make most efficient use of attendees' time, especially if they are required to travel for meetings.

In accordance with the requirements of Schedule 3 and Schedule 7, we will discuss transport integration with other modes in relation to changes of the timetable so that the Service aligns with other services or to allow the development of new services by other transport operators. This process will be led and managed by the Transport Integration Manager.

- » We will engage with integrated transport providers (rail and bus where relevant) at all timetable consultation meetings. This will allow opportunities and conflicts to be identified at an early juncture and ensure that the process of engagement is productive and time-efficient.

In order that summer timetables and reservation information, including fares and vessel deployment, can be published no later than October in the preceding year, and allowing for 45 Business Days' required notice to Scottish Ministers, the Client Manager will notify them of proposed changes to the summer timetable by 31 July. If consent for the proposed changes is not received from Scottish Ministers by 16 September then the proposed change will be deemed to be approved and we will publish the timetables and open our reservation system for customers.

The deadline for the receipt of timetable change requests by CFL, from Scottish Ministers, to consider and evaluate summer timetable changes which are to be included in publications will be 15 June. The Contract Manager will be responsible to evaluate these, in accordance with Clause 8.3; in the same manner as changes proposed by us and will be returned to Scottish Ministers by 31 July.

The responsibility for liaising with Transport Scotland (and, therefore, Scottish Ministers) on timetable changes will be the Client Manager. Client Manager will be the single point of contact for all engagement with / from Transport Scotland on matters relating to changes to timetables.

7. Arrangements for opening of booking systems and publication of timetables

Each timetable for summer and winter will have 'core' scheduled sailings that do not change per season and the consultation will focus on the exceptions / changes being proposed for the full year ahead, covering both summer and winter timetables at the same time. The frequency and need for consultation should limit the extent of timetable changes required in the future. This will in turn mean fewer changes will be required, reducing the approval time and the opportunity for delays in opening the reservation system.

Long-term stability in deliverable timetables (or at least a core of the timetable) will make the integration of services easier and give users increased confidence in the Services. This will be extended to include contingency timetables (that may or may not be published), which a Service can revert to in the case of weather cancellations or an unscheduled unavailability event. As the Operator we will use reasonable endeavours to minimise disruption caused by scheduled unavailability and unscheduled unavailability, providing reasonable notice and assistance to users to minimise disruption.

At a Scottish level having timetable publication and implementation dates that are aligned across all sectors of publicly funded / regulated transport should be a common goal for all those providing funds.

The entire process, see Figure 1.2.1 (m), will be managed and co-ordinated by the Director of Service Delivery and the Service Delivery team. The service delivery department will be the key link in the delivery of timely opening of reservation systems and timetable publication (including connecting services and other operators in the Clyde and Hebrides area). The Transport Integration Manager will also have a key role to play in this process.

Timetable Timelines Summer	Activity
By 15 th June	Gather and collate timetable change feedback for consideration. Sources: <ul style="list-style-type: none"> » Communities/Stakeholders » Operator » Transport Scotland (includes Ferries Plan initiatives)
By 31 st July	Consider feedback, assess feasibility stages: <ul style="list-style-type: none"> » Operational feasibility – PASS / FAIL » Technical feasibility – PASS / FAIL » Financial feasibility – assessment of costs and income » Present 'change' portfolio to Transport Scotland for consideration – PASS / FAIL / REVISE and Represent
By 16 th September	When approved: <ul style="list-style-type: none"> » Promulgate timetable (including fares) » Update reservation systems
By 31 st October	Publish Timetables and Open for Reservations/Sales

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Figure 1.2.1 (m) Summer timetable process showing external and internal steps.

Service offerings and contractual undertakings milestones

Contractual undertakings	Milestones date
a) Changes in demand and consequences for the timetable	
For each route we will review actual and forecast capacity utilisation levels and identify where timetable changes may be required.	Quarterly and Annually
b) Proposals for timetable changes	
For summer timetable changes requested by Scottish Ministers and passed to us by 15 June (in the preceding year) for an assessment of feasibility, costs and benefits we will prepare our response and submit it to Scottish Ministers for consideration no later than 31 July.	Annually (31 st July)
c) Opening of Booking Systems and Publication of Timetables	
If summer timetable changes and RET fares are approved (or deemed to be approved) by Scottish Ministers by 16 September, timetables and reservation information will be published by 31 October.	Annually (31 st October)
d) Levels and Spread of Anticipated Loading	
For each route we will keep under annual review the level and spread of anticipated loading. This will include monitoring of performance against timetable to ensure that published port turn-round times are reflective of service requirements.	Quarterly and Annually
Longer term, we will work with Transport Scotland and CMAL to support the work of the Network Strategy (Ferries and Ports) Programme (NSFPP) group.	
e) Identification of periods where demand may exceed capacity	
For each route we will analyse and identify periods where demand may exceed capacity.	Quarterly and Annually
Ongoing review and monitoring throughout the Contract.	
f) Opportunities for adjustments to the timetables	
We will review our management information on demand and capacity to provide Transport Scotland with opportunities for improvements to assist in planning future timetables.	At least annually

1.2.2 Demand Management**Service offerings and contractual undertakings**

We have developed a full suite of demand management options described in the analysis above that we believe meet the requirements of Transport Scotland and that will not create distinctions between islanders and visitors. We fully recognise that a number of these options will require approval by Transport Scotland / Ministers and communities and that they are therefore conditional.

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

- » Vessel charters to film crews for the making of adverts or films; special sailings to Kerrera for a fuel tanker; special sailings to Easdale for a fuel tanker
- » Services in relation to children's play schemes in school holiday periods during summer
- » Sailings to convey abnormal loads, contractor's plant, generators and similar items

In addition there are further additional unscheduled sailings. We will provide these as per Appendix 1 in the Contract and in compliance with the unscheduled ferry services referred to in paragraph 1.3 of Schedule 3.

Appendix 1 also includes extra sailings on Largs-Cumbræ slip to clear traffic or accommodate Dangerous Goods. These extra sailings include the provision of a second vessel on Good Friday to Easter Monday inclusive and subsequent Saturday and Sundays up to the summer peak period (when two vessels are deployed throughout to provide a 15 minute timetable), and thereafter to the end of September, and three additional Sailings on the evening of the Glasgow September Holiday to accommodate visitors attending the Illuminations and Fireworks. Our cost model allows for 1,000 such sailings (based on recent levels of provision).

Business operations, process and procedures

We have learnt a great deal about the constituent parts of demand for the Services whilst developing this bid. It has taught us much about what is required to manage demand as an ongoing process whilst delivering the Contract.

We recognise that changes are required in our organisation. We will, therefore, improve our business operations, processes and procedures to enable us to deliver efficient and effective demand management

From the first sailing of the Contract, the Head of Service Delivery Planning will commence collection of data to give us a greater insight into the patterns of demand for the Service. We understand that robust forecasting is vital to good planning. The Director of Service Delivery, supported by the Head of Service Delivery Planning and Operations Centre Manager, will monitor, review and improve how we manage forecasting and demand management.

We will use forecasts of demand on a day-to-day basis for short-term planning and on a medium / longer-term basis to assist timetable development and optimal vessel deployment planning. Where we have identified some gaps in our data gathering (e.g. where sailings are full due to the vessel's deadweight being reached) we will put in place a means to record this.

Our membership of the tri-partite group for Network Strategy for both Ferries and Ports Programme (NSFPP), along with CMAL and Transport Scotland, will provide a source of annual forecasts, which capture macro and micro economic factors, which may influence demand for the Service.

Reservation System

- » For each sailing held in the reservation system, [REDACTED] will proactively manage the deck-space available per vessel to effectively manage demand, particularly on the peak sailings / periods identified.

- » Business rules within the system will be applied to each reservation and assist in managing the change to our conditions of reservations and ticket purchases (Conditions) in order to make them simple, clear and appropriate for managing demand and optimising available capacity, whilst encouraging channel switching through ease of access.
- » Customers who reserve multiple sailings will be deterred from doing so by the new Conditions with financial penalties applying to those who abuse the system
- » Data for the standby list will be captured and held in the reservation system for each sailing to allow a greater insight into potential unsatisfied demand
- » We will provide customers with the ability to purchase tickets in advance for all routes to enhance customer experience
- » We will keep under review the number of routes, which are fully reservable. No change is proposed at this time due to the costs of extending reservations to more routes and as a result of the physical limitations at many of the ports, which preclude the ability to segregate reserved and un-reserved traffic.

The table in Appendix A shows the range of operational changes that we have identified in our analysis. It contains a number of approaches that we will deploy to support the management of demand, increase customer satisfaction and grow volumes using the Service. The table identifies those changes that we can make as the Operator and those that will be subject to consultation with communities and / or approval from Transport Scotland.

The additional insight we will gather into our customers' behaviour and travel patterns will be used to support our growth strategy through the management of demand.

Reporting

[REDACTED]

Account Management

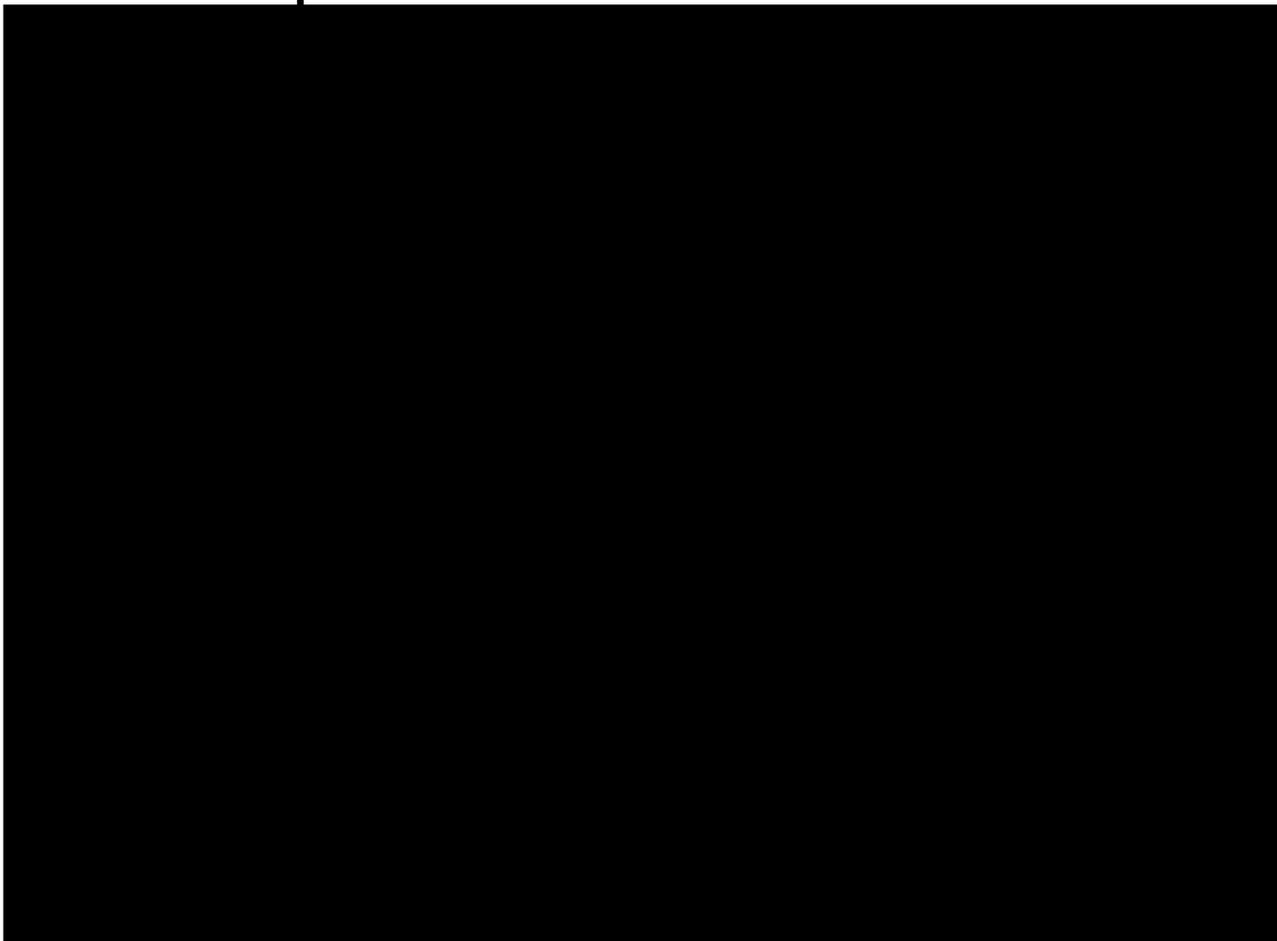
We will continue and extend our account management for freight and coach customers

[REDACTED]

[REDACTED] Building a closer day to day relationship with hauliers and travel trade operators will enable more effective management of their space requirements, resulting in any release of unrequired space more promptly into the reservation system.

The relationship will enable regular discussions to be held to discuss commercial loads that are deemed non-urgent, to be moved to quieter sailings, which is important particularly during periods of high demand. The aim is to better manage capacity to meet excess demand whilst being fair to all customers, without being detrimental to any customer group.

This will be a step-change in our approach to managing demand and capacity and is key to the success of our solution.



Conditions of reservations and ticket purchase

The Director of Customer, Sales and Marketing [REDACTED] will have responsibility to review and update the Conditions. From the outset of the Contract we will apply the updated Conditions. Initially this will be a manual process until such time as new IT systems, to be brought in by Contract Year 3 (CY3). We will communicate changes to the Conditions transparently, including the provision of training for staff at ports, on the vessels and in the Contact Centre.

The approach we have taken in developing a new set of Conditions for the Contract:

- » To make them as simple and minimal as possible in order to make them easy to communicate and understand for customers and staff (and hence consistent with the customer proposition)
- » To ensure that no customer will be unfairly penalised if reservations require to be cancelled / amended for reasons outwith their control
- » Continual improvement - implement, review and refine in response to changes in customer behaviour in order to deliver the required outcomes over the course of the Contract

The objectives of the proposed ticketing conditions of carriage, set out in our analysis in supply management, are:

- » To be fair and transparent to all customers.

- » To be an effective tool to more effectively manage demand to maximise capacity utilisation and hence increase volumes
- » To significantly reduce the incidence of block bookings not being cancelled in advance and the consequent negative impact on capacity utilisation of no-shows
- » To reflect proportional costs, including denied sales, arising from cancellations and amendments to reservations

The following Conditions, shown in Tables 1.2.2 (j) and (k) will be introduced at the outset of the new Contract. (Note: customers who have tickets and / or reservations which were subject to current Contract Conditions, we will honour these original Conditions.)

The Conditions will be fairly and consistently applied to all customers and in keeping with the Contract. Charges will be applied which are proportional to the costs associated with them:

- Amendments: charges will reflect the cost of making changes. Costs will range from a staff serviced change, e.g. through the contact centre or at a port office, to an on-line change
- Cancellations: charges will reflect the cost of servicing the cancellation (as for amendments) but will also reflect CFL's ability to re-sell the cancelled space. Where cancellations are made close to departure time the opportunity to re-sell freed space is lessened and there is a greater potential for it to go unsold. This is reflected in free-of-charge cancellations up to four weeks prior to departure

Our Conditions, outlined in Tables 1.2.2 (k) and (l), will ensure that sailings fully reserved in advance will depart full - customers will be incentivised to release reservations they do not require. This will increase vessel utilisation, increase overall demand and prevent the frustration many customers currently experience with 'full' sailings departing with space available.

Table 1.2.2 (k) Conditions to apply during the Contract – Cars (including passengers).

Item	Description	Customer Type
Amendment Charges	<p>£10 charge to be levied for each reservation change which affects demand for a sailing</p> <p>No amendments will be allowed within 48 hours prior departure.</p> <p>Each booking amendment more than 48 hours from departure will be charged at £10, whatever channel it has been booked through.</p> <p>A reservation is deemed to cover a single / return crossing and all passengers and vehicles on the reservation</p>	All customers who are travelling with a car
Cancellation Charges	<p>A no show will be liable for 100% of the reservation cost.</p> <p>Any booking cancelled within 48 hours of departure will be liable for 50% of the reservation cost.</p> <p>Any booking cancelled more than 48 hours from the sailing but less than 4 weeks will be liable for 25% of the booking cost.</p> <p>Any booking cancelled more than 4 weeks from the sailing will not incur any penalty.</p>	All customers who are travelling with a car

Item	Description	Customer Type
Payments and Fees	Reservations will be paid (or debited to account) at the time the reservation is made. Subsequent cancellation and / or amendment charges will be dealt with by way of additional charge paid (or debited to account) at time of change. Refunds will be processed at time of cancellation.	All customers who are travelling with a car

Table 1.2.2 (I) Conditions to apply during the Contract – Commercial Vehicles (CV)

Item	Description	Customer Type
Amendment Charges	Free amendments up until 48 hours before departure	All customers who are traveling with a CV and who make a block reservation
Cancellation Charges	A no show will be liable for 100% of the reservation cost. Any booking cancelled within 48 hours of departure will be liable for 50% of the reservation cost.	All customers who are travelling with a CV and who make a block reservation
Payments and Fees	Reservations will be debited to account 48 hours prior to departure. Subsequent cancellation and / or amendment charges will be dealt with by way of account credit.	All customers who are travelling with a CV and who make a block reservation

A key part of our ticketing strategy will be the promotion of Smart ticketing in accordance with Schedule 7 of the Contract. In summary, we will:

- » Use research to develop a compelling proposition to encourage customer adoption
- » Create awareness and understanding of the customer benefits of Smart amongst staff to enable them to positively promote it
- » Develop awareness through communications, including on board, at port, by the Contact Centre, email, PR, social media, website, printed materials such as the timetable, joint activity with other transport operators and travel agents, as well as targeted advertising
- » Focus our initial efforts on regular users of the service, including those who buy books of multiple tickets, who will benefit the most from Smart ticketing and who can act as advocates, encouraging others
- » Encourage the use of Smart ticketing through the use of terms and conditions that offer more value (reward) than tickets purchased through the ports and the Contact Centre
- » Continue to promote Smart ticketing, using insight and analysis to guide the development of our targeting strategy and the evolution of the proposition

Differentiation between passenger and car, coach and freight traffic

The principles of demand management we will use will be applied to each of the traffic types: passenger and car, coach and freight traffic during the key periods.

Passenger and Car

We will not use fares to manage demand for this group. The application of revised Conditions from day one of the Contract will allow time from Contract award to inform customers and to train staff in the application the new Conditions.

Business operations and processes

Our business process and procedures, to be implemented from day one of the Contract, will support how we manage demand with an allocation of deck-space to be used for passengers travelling with a vehicle for the peak / busy sailings. The business process and procedures will be led by the Director of Customer, Sales and Marketing, [REDACTED]. All changes implemented, and which are subject of agreement with communities, will be agreed with communities in advance of their introduction.

Coach

The coach sector is adept at forward planning and selling of their tours. We will continue to proactively manage this sector through engagement with tour operators to determine several weeks in advance which of their tours will actually go ahead and therefore are confirmed.

We will not use fares to manage demand for this group.

Business operations and processes

We will provide account management for Coach (travel trade) and have more Customer Service Advisors trained to manage coach bookings within our Contact Centre. Regular contact with this sector will enable better management of coach reservations, and any tours that are cancelled will be identified well in advance of travel, with last minute cancellations being rare in this sector.

Our business process and procedures will support how we manage demand with an allocation of deck-space to be used for coach operators for the peak / busy sailings.

We will attend and exhibit at travel trade exhibitions such as Expo, hosted by VisitScotland to promote the routes on network. From regular discussions with tour operators we will be in a position to free up any unrequired space, which will be available for other users to book.

Conditions of Carriage (Conditions)

From day one of the Contract we will apply the updated Conditions. This will give time to implement the new Conditions and enable sufficient communication time for all customers. Staff training will be undertaken during the mobilisation period.

Freight

We have disregarded the main driver for managing demand – price / fares, which are set by Transport Scotland and instead we have focused on the extent to which individual hauliers are likely to be able to respond to any incentives to avoid peak/ busy sailings.

We will not use fares to manage demand for this group unless the findings of the current Freight Fares Review determines otherwise. We will work with Transport Scotland to support the implementation of any changes arising, which have a role to play in managing demand.

We will reduce the time period in which block bookings / reservations can be made in advance from 10 months to two or three months. This will give adequate time to ensure that customers are able to secure the space required but also be more reflective of their actual known needs rather than their 10 month view which can often be unreliable.

Freight operations and processes

We will focus on three things that we will do in the next Contract: Account Management, Planning and Engagement.

» Account Management

Reservations for the majority of freight (CV) will be on a block-booking basis, whereby the haulier pre-reserves two-three months of deck-space in advance of travel. We will extend our current account management for freight and have more Customer Service Advisors trained to manage freight reservations within our Contact Centre.

They will have specific responsibilities to continuously manage our top 20 or so freight customer accounts to proactively manage block bookings (reservations) and customer care. This process will enable any unrequired reserved space to be identified, agreed and released back in a timely manner into the reservations system as available space for other customers to reserve.

The reverse will also apply in that customers who require additional space will be able to flag this up at an early stage. Account management will also cover the process of managing the allocation of deck-space being apportioned for freight use for each sailing. This allocation will be reflective of the requirement of freight demand per sailing and will be subject to agreement with communities

» Planning

We will have a dedicated section on our website (to be available from the start of Year three of the Contract) for freight with key information for planning purposes:

- Timetables for all the routes
- Check-in times for freight
- A downloadable version of outline Conditions of Carriage for freight
- Email and Contact Centre details for the “freight team / freight specialists “
- Our policy for transportation of freight items, including livestock, and dangerous goods declaration forms.
- Vessel details, including on-board facilities for commercial drivers and types of freight vehicles able to be carried on each vessel such as 13.6m trailers or drop trailers
- Frequently Asked Questions (FAQs)

» Engagement

Engagement with this stakeholder group, either with individual haulage customers and / or through representation at Ferry User Groups will be on a regular, and on most occasions, on a daily basis through the management of freight reservations.

Conditions of reservations and ticket purchase (Conditions)

From day one of the Contract we will apply the updated Conditions. This will give time to implement the new Conditions and enable sufficient communication time to all customers.

b) Potential measures to manage demand where there is excess demand, whilst complying with Schedule 3 of the Contract

We will employ a series of measures in order to effectively manage excess demand in compliance with Schedule 3 of the Contract. These measures will be simple, easy to understand and transparent.

We will use a variety of tools in our approach to demand management as set out in Table 1.2.2 (m).

Table 1.2.2 (m) Application of Demand Management ‘Tools’ by Sector.

Tools /	Community	Agriculture	Industry	Tourism
1. Price / Fares	N	N	N	N
2. Increase Capacity / additional sailings / frequency of sailings	✓	✓	✓	✓
3. Operators Discounts	N	N	N	N
4. Conditions of Carriage	✓	✓	✓	✓
5. Business operations, processes and procedures	✓	✓	✓	✓

Price and fares

We will not use price in our solution for demand management as Transport Scotland and Scottish Ministers determine the fare price for each route. Should any community seek a fare price increase as a means of managing demand we would share the request with Transport Scotland to consider how best to achieve this.

Increasing capacity / additional sailings / frequency of sailings

On the sailings identified as peak, we will define and apply deck-space allocations available to reserve per type of vehicle: car, CV or coach. The peak sailings will be identified before the reservation system is opened by a unique marker enabling us to monitor and track reservations being made on these sailings on a daily basis.

By forward planning we will proactively manage the allocation of deck-space being apportioned for car / coach and freight use for each sailing in the key high demand periods. Mezzanine decks will be used more effectively during high demand to enable us to use the capacity available to best effect on every sailing.

We will also maintain a close liaison with haulage customers to ensure any pre-block reserved space that is no longer required is allocated back into the reservation system at the earliest opportunity.

Loading plans will be prepared for each vessel to encourage the optimised use of the space.

Our Reservation system will enable any reservation that contains a vehicle to include a vehicle length to allow us to have visibility of actual space being reserved, to help determine the remaining space available.

Over the Contract term, we will assess technology solutions such as apps, to improve to assist with the variability in vehicle loading efficiency, which we experience. This will support the vessel's loading officer and assist with the maximisation of deck-space utilisation.

As required, we will deliver in compliance with Schedule 3 to the Contract, the additional sailings and additional unscheduled sailings.

We have identified one cost effective opportunity for an increase in sailings, which we will deliver over and above the Initial Timetable. This is on the Ullapool-Stornoway route where

we will provide an additional sailing on a Sunday morning for 11 weeks at the height of the summer season.

c) Proposals for consultation with the community to agree the level of demand management to be introduced

We will continue to be proactive with the Ferry User Groups and Regional Transport Partnerships, with the aim of broadening the engagement to the whole of the community, building upon our road show undertaken in 2015. We also welcome the opportunity to attend and contribute to the proposed Islands Transport Forum.

We will create a new Community Board to enable the communities to have an influence upon our thinking, investment and decision-making. We will also create a new Director of Community and Stakeholder Engagement role, reporting to the Managing Director, to be responsible for providing direction and ensuring that we have a coherent plan for engaging with the community and stakeholders. He will lead our consultation with the communities on demand management.

We will ensure that we engage with and listen to all relevant stakeholders and communities to agree the level of demand management to be introduced, including local authorities and those representing specific groups (e.g. agriculture, aquaculture, broader industry and tourism), in a structured and transparent manner.

Building upon our success in Arran, we will consult with the relevant communities and / or groups to discuss our solution in how we can address high demand on those peak sailings. Working with the communities and Transport Scotland we will ensure any solution is inclusive and has agreement. This will be essential to achieve positive outcomes and changes in customer behaviour for our non-priced demand management proposals.

Appendix A details which demand management proposals we will consult on with the communities.

During mobilisation we will commence consultation with the communities and the discussion with Transport Scotland to gain approval for our proposals.

Contractual undertakings

Table 1.2.2 (m) shows our proposals to manage demand. Where initiatives require community consultation or Transport Scotland approval we have not included them in our contractual undertakings.

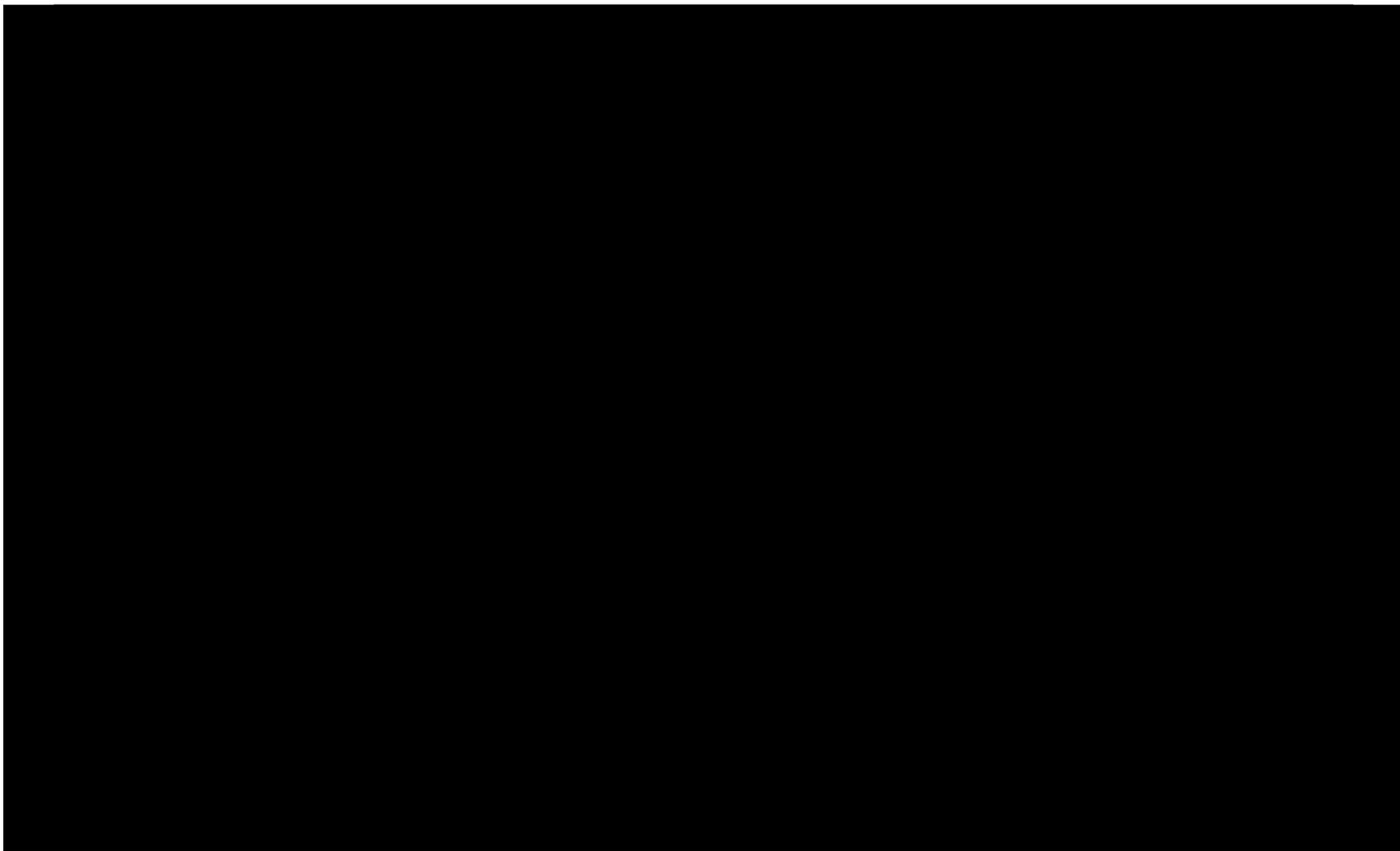
Contractual undertakings	Target date
Create role of Director of Community and Stakeholder Engagement.	Commencement of Contract
Create a new Community Board to enable community engagement.	CY*1
Continue to participate in the Ferry User Groups, Regional Transport Partnerships and Islands Transport Forum.	Contract Award
Introduce new policies for reservations and cancellations for all customers.	CY1
Introduce dedicated freight account management to maximise quality of service, minimise costs and maintain excellent relations.	CY1
Training and communications for all staff at ports, on ferries and in the Contact Centre regarding new terms and conditions.	CY1
Introduce revised terms and conditions for the travel trade regarding reservations, account terms and cancellation / amendment.	CY1
Note: We will honour all transferred reservations, including terms and	Mobilisation period and CY1

Contractual undertakings	Target date
conditions from previous contract	
Port signage and local advertising to promote routes that can be reserved	CY2
Improve customer experience for making reservations on our website, modifying the reservations system and including customer account information to streamline future reservations.	CY3
Create a dedicated commercial account website / portal.	CY3

*CY – Contract Year

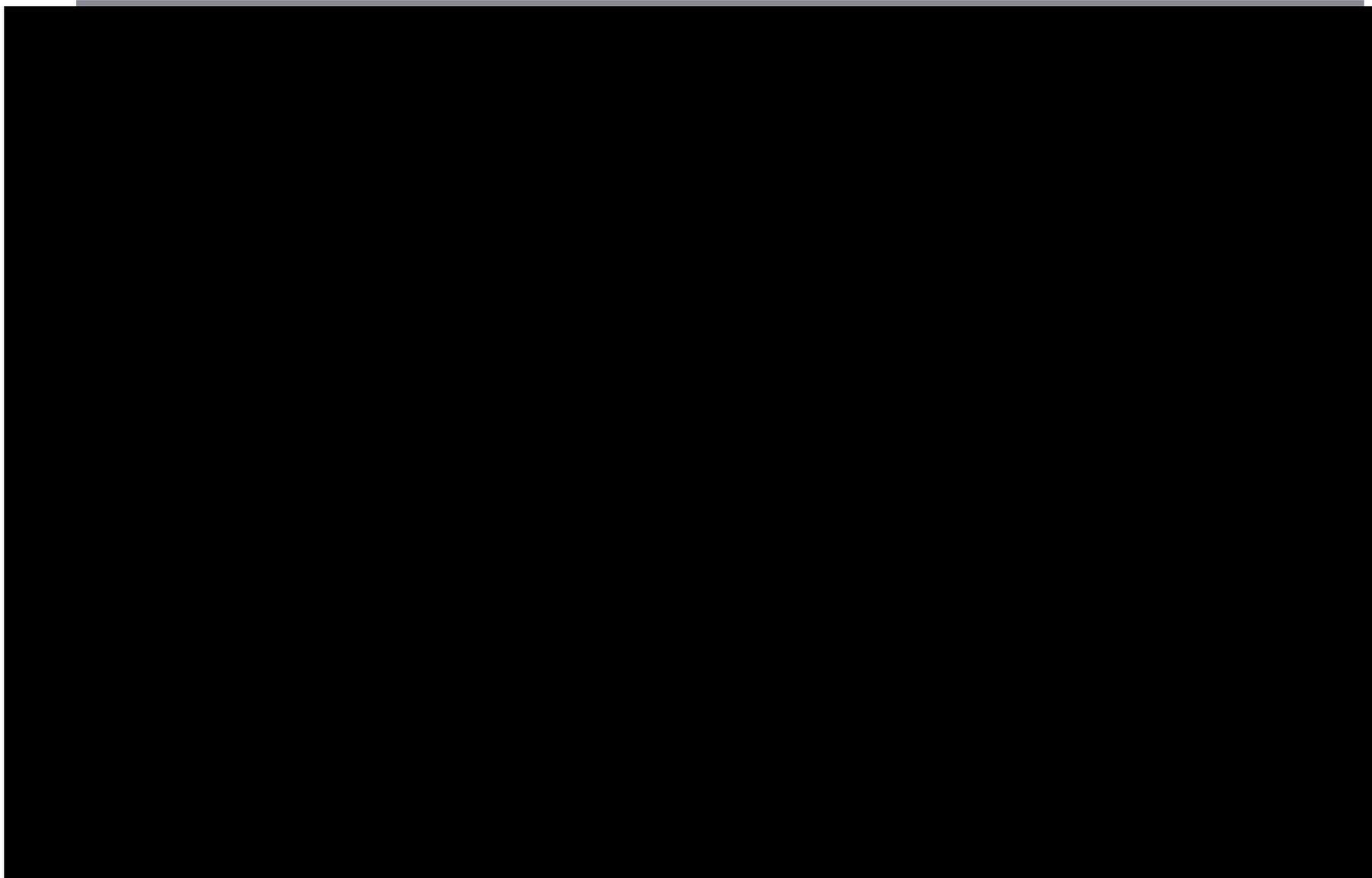
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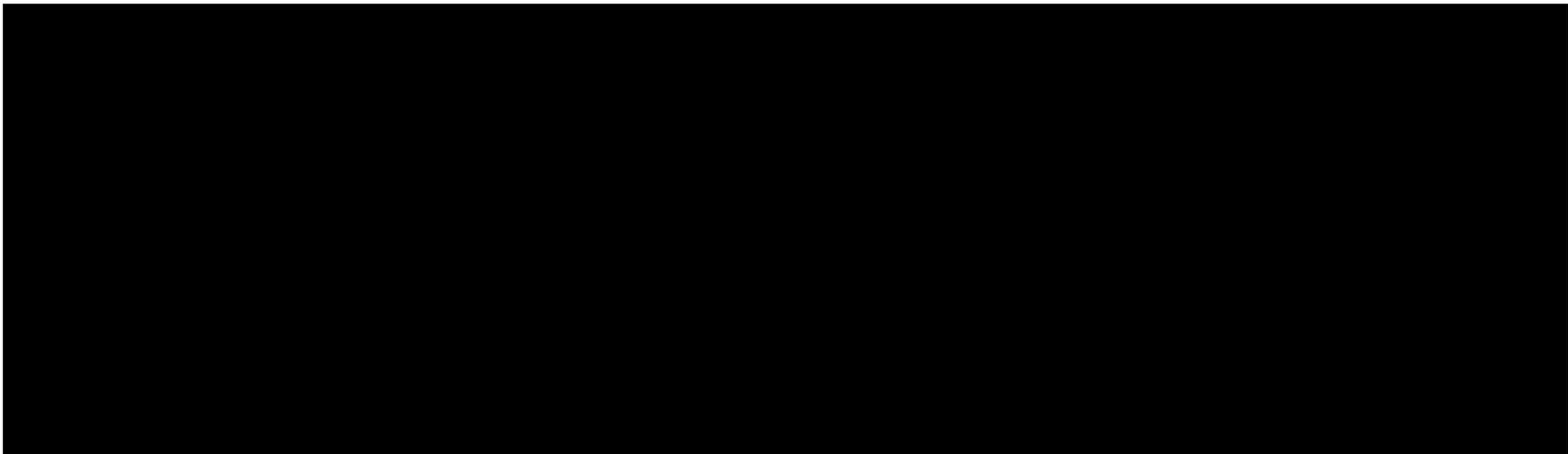
Clyde and Hebrides Ferry Services
Contract for Provision of Ferry Services
Schedule 3



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[Redacted]	[Redacted]	[Redacted]
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Executed Contract 22.08.16

Clyde and Hebrides Ferry Services
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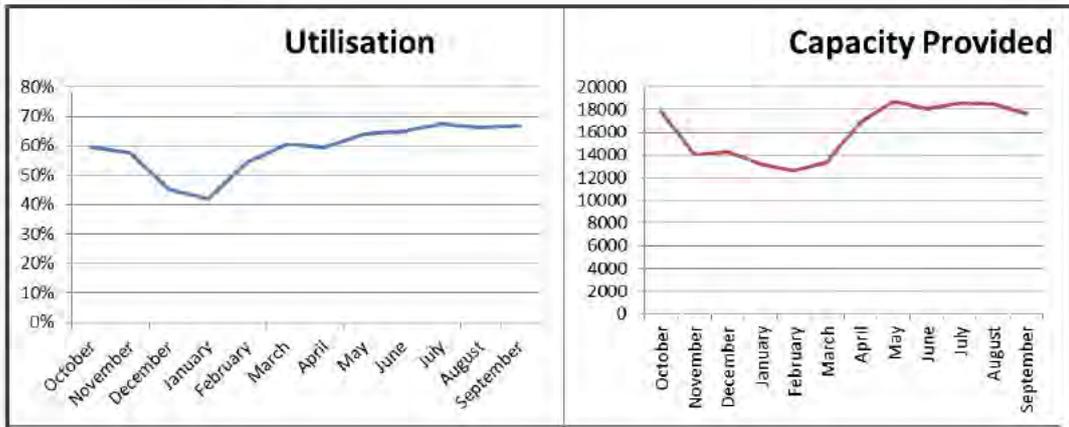
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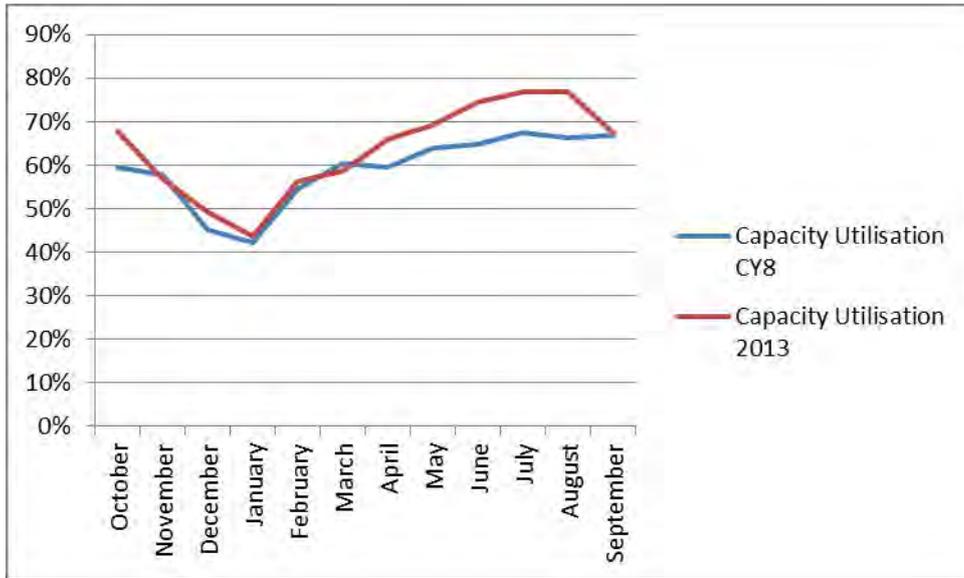
[Redacted]

[REDACTED]



[REDACTED]

[REDACTED]



[REDACTED]

[REDACTED]

Capacity Utilisation	Number of sailings, and percentage of total, by level of vehicle deck utilisation (CY8)																							
	OCT		NOV		DEC		JAN		FEB		MAR		APR		MAY		JUN		JUL		AUG		SEP	
<40%	32	13%	37	18%	67	35%	42	25%	32	18%	16	8%	32	14%	28	10%	24	10%	21	8%	24	9%	17	7%
40-50%	18	7%	21	10%	25	13%	21	12%	13	7%	18	9%	16	7%	24	9%	9	4%	16	6%	21	8%	13	5%
50-60%	25	10%	20	10%	30	16%	32	19%	21	12%	30	14%	24	10%	38	14%	16	7%	35	13%	30	11%	45	18%
60-70%	41	17%	38	19%	18	9%	17	10%	20	11%	37	18%	25	11%	52	19%	49	20%	42	16%	22	8%	41	16%
70-80%	33	14%	33	16%	14	7%	21	12%	29	16%	32	15%	30	13%	40	15%	37	15%	33	13%	48	18%	39	15%
80-90%	38	16%	20	10%	12	6%	14	8%	26	15%	37	18%	32	14%	34	13%	45	19%	57	22%	40	15%	52	20%
>=90%	54	22%	33	16%	25	13%	23	14%	38	21%	39	19%	75	32%	54	20%	62	26%	60	23%	76	29%	49	19%
Total	241		202		191		170		179		209		234		270		242		264		261		256	

[REDACTED]

[Redacted text block]

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1.2.3 Winter Timetables

Service offerings and contractual undertakings

We have set out the analysis in the following way to make the response easier to follow.

CFL heading

- 1) Potential changes in the future pattern of demand and consequences for the timetables – analysis of current position
- 2) The levels and spread of anticipated demand
- 3) Potential changes in the future pattern of demand and consequences for the timetables – analysis of future position
- 4) Arrangements for scheduled non-availability
- 5) Strategies for engaging with communities on changes to the timetables and engagement with Transport Scotland for Ministerial approval
- 6) Arrangements for opening of booking systems and publication of timetables

1 and 3. Potential changes in the future pattern of demand and consequences for the Timetable

CFL will ensure delivery of the agreed and published winter timetable.

Our analysis has demonstrated that the only feasible option for enhancing the Service provision using additional capacity (for part or all of the winter timetable period) is to utilise all of the major vessels (including those which are not required to meet the Initial Timetable) to provide additional sailings on a number of routes. We will consult with Transport Scotland on the level of additional sailings, if any, to be added to future timetables.

[REDACTED]

[REDACTED]

[REDACTED] will be responsible for:

- » Maintaining awareness of any changes in demand on a route by route basis with forecasted and actual carryings
- » Monitoring the impact of RET on capacity available and demand for deck-space across all routes, with particular focus on those forecasted to be most significantly affected
- » Monitoring and reporting against forecasted and actual demand, by vehicle type for each sailing / vessel to assist with future projections
- » Completing regular updates of our demand forecasts, per route for the purposes of forward planning of capacity and suitable vessel deployment. He / she will produce a rolling three-monthly report which will be shared with relevant stakeholders (including Transport Scotland)
- » Continuing with our programme of trialling vessels at as many potentially in-scope ports as is practical to maintain suitable vessel deployment
- » Managing and fully utilising the deployment of available and suitable vessels in the current fleet across the network
- » Continuing to support the rolling programme of annual reviews as a member of the tripartite Network Strategy for both Ferries and Ports Programme (NSFPP). The group membership consists of Transport Scotland, CMAL and the Operator.
- » Attending and participating in steering group meetings, preparing the analysis for the annual review and providing other input as required.

The annual review provides a long-term view of what may happen on the network and serves as an early indicator of changing patterns which may influence future timetables.

Within the first three months of the commencement of the Contract [REDACTED] [REDACTED] will discuss with Transport Scotland the opportunities identified in our analysis with a view to explore value for money benefits through:

- » Reviewing and incorporating viable options to improve capacity constraints through sailing frequency
- » The use of all vessels in the fleet being used during high volume demand in the winter
- » Vessel redeployment options to improve capacity constraints

- » Any further berthing requirements

2. The levels and spread of anticipated demand

As evidenced by our analysis (and illustrated by the external research we commissioned to support it), robust forecasting is essential to good planning. The Head of Service Delivery Planning will maintain and use the forecasts of demand on a day to day basis for short-term planning and on a medium / longer-term basis to assist timetable development and optimal vessel deployment plans.

The Head of Service Delivery Planning supported by the Operations Centre Manager will be responsible for:

- » Monitoring the loading of vessels to optimise the capacity used against what is available on each vessel
- » Fully utilising the deployment of available and suitable vessels in the current fleet across the network across the eight-year Contract
- » Monitor and analyse actual carryings, including vehicular lengths per sailing versus reserved deck-space
- » Monitor the impact of RET on capacity available and demand for deck-space where the winter timetable is affected
- » Review with Transport Scotland the broad categorisation of cars, which can include motor homes of up to 10 metres in length, to introduce more granularity of vehicle types within the car category and to enhance the quality of reporting

We are committed to continuous improvement over the eight-year term of the Contract and will:

- » Regularly review technological solutions to assist with the variability in vehicle loading efficiency that we experience.
- » Continue to use the wealth of management information that we gather to optimise our service offering and to derive maximum value for the taxpayer by reducing occasions of wasted space on our vessels when absolute demand exceeds the capacity available.

4. Arrangements for scheduled non-availability

CFL will put in place an effective vessel deployment plan to ensure continuity of the Service during periods of scheduled vessel unavailability. This will result in no impact (or minimal impact) on customers and the communities supported. Through robust contingency planning we will maintain performance as measured by high levels of service reliability and rapid response times when unscheduled events occur.

As a means of reducing the length of time which some vessels (major and medium vessels which are under 20 years of age) are out of service owing to scheduled unavailability, we will embrace the opportunity for In-Water Survey (IWS).

With IWS the number of days which a vessel is unavailable is reduced (exact durations to be confirmed) proximity of survey location and the time required to travel from / to the vessel's 'home' port being a factor.

For the winter timetables for each ferry route, we will maintain continuity of service by planning the deployment of the fleet to cover scheduled non-availability. This plan will consider the optimal deployment of the vessels to ensure that adequacy of service is maintained.

Our approach to ongoing planned maintenance will increase the chances of spotting potential machinery failures at an early stage. This will reduce downtime and cost if a smaller repair can be undertaken at an earlier stage.

We will move to shorter periods of scheduled non-availability which will result in less disruption to users and reduce the possibility of Easter capacity levels being compromised.

Where we have several vessels of a class out of service at the same time, resulting in more than one route with a compromised delivery, we will contact other operators and vessel owners to identify where suitable vessels (including passenger-only if nothing else is immediately available) may be sourced (subject to availability) to minimise disruptions to the communities served.

5. Strategy for engaging with communities on changes to the timetables and engagement with Transport Scotland for Ministerial approval

We will create a new Community and Stakeholder Director level role reporting to the Managing Director (see Figure 1.2.3 (j)), responsible for providing direction and ensuring that we have a coherent plan for engaging with the communities and stakeholders. They will be responsible for establishing a new Community Board to enable communities to have an influence upon our thinking, investment and decision making.



Figure 1.2.3 (j) Organisation of Community and Stakeholder function.

In our engagement with communities and stakeholders we will use an efficient, transparent approach to engaging communities in any proposed timetable changes. We will bring our experience delivering the requirements of the Ferries Plan, timetable consultations to date and the community engagement meetings conducted during June 2015.

Our Head of Service Delivery Planning (and / or the Director of Community and Stakeholder Engagement) will supply minutes of all meetings attended for the purpose of timetable consultation, in accordance with the requirements of Clause 40 (as recorded by the meeting secretariat) to Transport Scotland.

All requests for changes to timetables whether they originate from CFL, communities and stakeholders or Transport Scotland will be subject to a process of evaluation:

- » Stage 1: This will be a technical feasibility assessment – do we have a vessel and berths available? If yes, then Stage 2.
- » Stage 2: This test will be an operational feasibility assessment – do we have sufficient crew and port staff resource available (including any hours of rest considerations) to operate the required timetable? If yes, then Stage 3.
- » Stage 3: An assessment of likely costs and incomes – a full business case.
- » Stage 4: Pass the completed file to Transport Scotland / Scottish Ministers for consideration.

At any stage of the process if the request is declined, the option does not progress any further.

We will meet the following contractual obligations:

- » Following consultation Scottish Ministers require a minimum of 45 Business Days' notice of any proposed alterations to the timetable. Following Ministerial approval a revised timetable is to be published at least 20 Business Days prior to the timetable commencing.
- » For timetable changes which are to be published in the annual / bi-annual brochure / booklet approvals are required by 15 March for winter timetables.

We note that it is a stated requirement of Scottish Ministers that any timetable proposals will not have the effect of reducing the number of sailings or otherwise materially altering the Service and we will comply with this.

We will undertake all community / stakeholder engagement as stated in our community engagement strategy. This Plan will be developed further during the mobilisation phase. Our newly appointed Community and Stakeholder Director supported by the Head of Service Delivery Planning, and Heads of Regional Service Delivery North and South (as required) will be responsible for delivering timetable engagement.

- » Our engagement strategy will help to minimise the time that we need to consult on timetables and, on the occasions that we do, we will seek to carry this out using an efficient process which is network-wide in its consideration, transparent and auditable.

We will use technology to support this, e.g. use of a specific section on our website for timetable consultation feedback, or video conferencing and will make our local facilities available for this aspect of engagement.

- » We will use the opportunity to consult on potential changes to both winter and summer timetables together (as opposed to two distinct cycles). This will make most efficient use of attendees' time, especially if they are required to travel

In accordance with the requirements of Schedule 7, we will discuss transport integration with other modes in relation to changes of the timetable so that the Service aligns with other services or to allow the development of new services by other transport operators. This process will be led and managed by the Transport Integration Manager.

- » We will engage with integrated transport providers (rail and bus where relevant) at all timetable consultation meetings. This will allow opportunities and conflicts to be identified at an early juncture and ensure that the process of engagement is productive and time-efficient.

In order that winter timetables and reservation information can be published no later than April, and allowing for 45 Business Days' notice to Scottish Ministers, CFL will notify proposed changes to the winter timetable by 31 January. If consent for the proposed changes is not received from Scottish Ministers by 15 March then the proposed change will be deemed to be approved.

The deadline for the receipt by CFL from Scottish Ministers of winter timetable change requests will be 15 December. The requests will be evaluated by CFL (in accordance with Clause 8.3) in the same manner as changes proposed by CFL and will be returned to Scottish Ministers by 31 January.

The Client Manager will be the single point of contact for all engagement with / from Transport Scotland on matters relating to changes to timetables.

6. Arrangements for opening of booking systems and publication of timetables

Each timetable for winter (and summer) will have 'core' scheduled sailings that do not change per season and the consultation will focus on the exceptions / changes being proposed for the full year ahead, covering both summer and winter timetables at the same time.

The frequency and need for consultation should limit the extent of timetable changes required in the future. This will, in turn, mean fewer changes will be required, reducing the approval time and the opportunity for delays in opening the reservation system.

In accordance with the requirements of Schedule 7, we will discuss transport integration with other modes in relation to changes to the timetable so that the ferry services align with other services, or to allow the development of new services by other operators.

Long-term stability in deliverable timetables (or at least a core of the timetable) will make the integration of Services easier and give users increased confidence in the Services. This will be extended to include contingency timetables (that may or may not be published), to which a Service can revert in the case of weather cancellations or an unscheduled unavailability event.

At a national level, having timetable publication and implementation dates aligned across all sectors of publicly funded / regulated transport should be a common goal for all those providing funds. The Transport Integration Manager will be responsible for managing ongoing relationships with the Operators for other connecting modes of transport.

The Director of Service Delivery and the Service Delivery team are responsible for managing and co-ordinating this process. The service delivery department will be the key link in the delivery of timely opening of reservation systems and timetable publication (including connecting services and other operators in the Clyde and Hebrides area).

Table 1.2.3 (c) Winter timetable process showing external and internal steps.

Timetable Timelines Winter	Activity
By 15 th Dec	Gather and collate timetable change feedback for consideration. Sources: <ul style="list-style-type: none"> » Communities/Stakeholders » Operator » Transport Scotland (includes Ferries Plan initiatives)
By 31 st Jan	Consider feedback, assess feasibility stages: <ul style="list-style-type: none"> » Operational feasibility – PASS / FAIL » Technical feasibility – PASS / FAIL » Financial feasibility – assessment of costs and income » Present 'change' portfolio to Transport Scotland for consideration – PASS / FAIL / REVISE and Represent
By 15 th March	When approved: <ul style="list-style-type: none"> » Promulgate timetable (including fares) » Update reservation systems

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Timetable Timelines Winter

Activity

By 30th April

Publish Timetables and Open for Reservations/Sales

Service offerings and contractual undertakings milestones

Contractual undertakings	Target date
a) Potential changes in the future pattern of demand and consequences for the Timetable	
For each route we undertake an annual review of demand to provide Transport Scotland with an early indicator of changing patterns that may influence future timetables.	Quarterly and Annually
b) Strategy for engaging with communities on changes to the timetables and engagement with Transport Scotland for Ministerial approval	
For all winter timetable changes requested by Scottish Ministers and passed to us by 15 December (in the preceding year) for an assessment of feasibility, costs and benefits we will prepare our response and submit it to Scottish Ministers for consideration no later than 31 January.	Annually (31 st January)
c) Opening of Booking Systems and Publication of Timetables	
If winter timetable changes are approved (or deemed to be approved) by Scottish Ministers by 15 March, timetables and reservation information will be published by 30 April.	Annually (30 th April)
d) Levels and Spread of Anticipated Demand	
For each route we will keep under annual review the level and spread of anticipated loading. This will include monitoring of performance against timetable to ensure that published port turn-round times are reflective of service requirements.	Quarterly and Annually
Longer term, we will work with Transport Scotland and CMAL to support the work of the Network Strategy (Ferries and Ports) Programme (NSFPP) group.	
e) Arrangements for scheduled non-availability	
For each route, we will maintain continuity of service by planning the deployment of the fleet to cover scheduled non-availability.	Quarterly and Annually
We will investigate the opportunity for in-water surveys (IWS).	Commencement Date

1.2.4 Catering Services**Service offerings and contractual undertakings**

CalMac Ferries Limited (CFL) has a very proud heritage in its catering proposition: our success is based on creating delicious; west coast of Scotland inspired meals that use produce predominantly sourced from SMEs (many of whom are local to the network). This success has been nationally recognised being the first ferry operator to be awarded VisitScotland's Taste our Best Accreditation (2014).

Our catering strategy and service offerings have been informed by detailed customer, producer and community knowledge and understanding and sets out to consistently delight our customers across the network throughout both the summer and winter timetables where demand and customer profile varies significantly. We will build on our very proud heritage in our catering proposition to provide enhanced menus and service propositions. We will offer a delicious combination of Scottish inspired recipes and quality produce (much of it sourced

from local SME producers) freshly prepared and served by our enthusiastic and experienced catering crew each and every day.

Our role and responsibility within the communities we serve will also remain at the forefront in providing a sustainable and appealing offer to our customers. We will achieve this through a combination of our own catering propositions, encouraging and supporting new and existing producers and helping to provide access to the local community catering outlets.

[Redacted text block]

[Redacted text block]

Proposals for managing Catering Services

Catering services will [Redacted text block]

[Redacted text block] The team will continue to manage the catering proposition and tailor it to the specific requirements and challenges of each of the ports / harbours, fleet vessels and customer groups.

They will foster excellent understanding and rapport with the local communities, encouraging the emergence and growth of SME producers / suppliers, targeting to introduce at least two new SME producers each year, including supported businesses where appropriate. This will continue to enhance CFL's reputation for providing opportunities for new SME businesses to become suppliers and for providing 'seed volume' to support their early growth.

[Redacted text block]

[Redacted text block]

[Redacted text block]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED] Reports will show performance by vessel and by route for each year of the Contract covering:

- » Food and beverage revenue
- » Food and beverage expenditure

Added Value Crewing Management

Over and above the Transport Scotland requirements, we propose to provide added value propositions and services to help drive efficiency and an enhanced customer experience:

Flexible crewing and catering outlet opening:

- » The Retail and Catering Team will align the opening and manning of catering outlets to forecast customer demand to provide optimum efficiency and effectiveness of the catering proposition.
- » All vessels currently offering a catering proposition will have at least one catering outlet open at all times. [REDACTED]
- » The team will be responsible for ensuring that key stock lines from closed outlets are made available in the remaining outlets to minimise the risk of lost sales. They will also monitor sales performance (through analysis of EPOS data) to enable modifications to openings, crewing or stocking to be rapidly implemented. The customer impact will be assessed through a combination of informal customer feedback gathered by crew (ongoing); and formal customer research as part of the wider Transport Focus customer research programme referred to in the Marketing Plan.

Crew Training:

- » In addition to regulatory training (preparation, cooking, catering and food hygiene) the team will be responsible for ensuring all catering crew receive relevant training to: promote menu items from our SME producers and produce; deliver excellent customer service and customer engagement including handling customers with disabilities; and manage conflict.
- » All catering crew training will reinforce our brand values and customer principals ensuring catering crews understand how to deliver them in practice. In addition to engaging with professional training organisations such as the World Host Customer Service Training programme, we will explore working with the University of Highlands and Islands (UHI) to deliver additional accredited training.
- » In addition to our existing deck and engine rating trainees we will introduce a catering rating trainee / apprenticeship to develop future on-board retail and catering staff. Apprentices will be supported through a



Added Value Crewing Management

combination of on the job training, college based learning and qualifications. They will be mentored and supported during their apprenticeship ensuring that they have both the practical skills and work experience to equip them for future employability. We will offer between three to six apprenticeships of this kind per annum across the network from 2017.

- » We will implement training in 'CFL and its communities', providing additional knowledge to crews regarding the company's heritage, the network, the various routes and vessels, and tourist attractions (including producers of local food, drink and produce) served by the vessels. All catering crew will be provided with the opportunity to visit destination islands / communities prior to sailing a route, and an annual Island visitor programme will be established to refresh and re-energise the enthusiasm for the communities.

Plan by route to show catering by ports / harbours and fleet vessels

Our plan, by route, shows the catering facilities and services available at / on:

- » Each port / harbour, as illustrated in Figure 1.2.4 (f)
- » Each fleet vessels, as illustrated in Figure 1.2.4 (g) and (h)

LOCATION	CATERING FACILITY	SELF-SERVICE DRINKS & SNACKS	SELF-SERVICE HOT FOOD	TABLE SERVICE HOT FOOD
Androssan terminal	Coffee Cabin	✓		
Fishnish slipway	*Café	✓	✓	✓
Tobermory terminal	*Café Fish	✓	✓	✓
Stornoway terminal	*Café	✓	✓	✓
Ullapool terminal	*Hot drinks vending machine	✓		
Brodick terminal	Drinks and snacks vending machines	✓		
Uig terminal	Drinks and snacks vending machines	✓		
Kennacraig terminal	Upgraded drinks and snacks vending machine	✓		
Oban terminal	Hot drinks vending machine			
	Drinks and snacks vending machines	✓	✓	
	Hot food vending machine			

*represent facilities independently owned and managed (outside of CFL's control)

Figure 1.2.4 (f) Ports / harbours catering facilities plan.

In line with our accessibility strategy, the plan will also be produced as an 'accessible friendly' list enabling it to be translated by a text-to-speech reader.

The plan will be published in full on the CFL website and in brochures (e.g. Days Out), with the central Retail and Catering Team having accountability for ensuring it is kept up to date as new catering facilities are introduced or updated. The website, managed by the Marketing Team, will also clearly promote where third party catering options may be available close to the port / harbour. A subset of the plan, and local catering outlets relevant to the specific route / vessel and ports will be published at the port offices and on-board.

Details of catering at the relevant ports / harbours, routes and (planned) vessels will also be included with booking e-mail confirmations. Where changes to planned vessels are known in advance, customers will be updated through their channel of choice by the Customer Care Team.

Details of independent catering outlets at or near to ports (who wish to be featured) will be compiled during summer 2016, ready for inclusion in communications and on the CFL

website from October 2016. This plan will be co-ordinated and maintained by the central Retail and Catering Team with support from the port staff and local DMOs.

VESSEL	PRIMARY ROUTE	SELF-SERVICE DRINKS & SNACKS	SELF-SERVICE HOT FOOD (INC. RESTAURANT SERVICE)	TABLE SERVICE HOT FOOD
MV Caledonian Isles	Ardrossan-Brodick	✓	✓	
MV Isle of Arran	Ardrossan-Brodick (summer)	✓	✓	
MV Coruisk	Mallaig-Armadale	✓	✓	
MV Lochnevis	Mallaig-Eigg / Muck / Rum / Canna	✓	✓	
MV Bute	Wemyss Bay-Rothesay	✓	✓	
MV Argyle	Wemyss Bay-Rothesay	✓	✓	
MV Finlaggan	Kennacraig-Port Ellen / Port Askaig	✓	✓	
MV Hebridean Isles	Kennacraig-Port Ellen / Port Askaig	✓	✓	
MV Isle of Mull	Oban-Craignure	✓	✓	
MV Isle of Lewis	Ullapool-Stornoway (relief)	✓	✓	✓
MV Loch Seaforth	Ullapool-Stornoway	✓	✓	✓
MV Clansman	Oban-Castlebay / Lochboisdale Oban - Tiree / Coll	✓	✓	
MV Lord of the Isles	Oban-Tiree / Coll / Colonsay Oban-Castlebay / Lochboisdale	✓	✓	
MV Hebrides	Uig-Lochmaddy Uig-Tarbert (Harris)	✓	✓	
MV Loch Portain	Berneray-Leverburgh	✓		
MV Lochinvar	Tarbert-Portavadie	✓		

Figure 1.2.4 (g) – Plan of catering services by fleet vessels.

VESSEL	PRIMARY ROUTE	CATERING OFFERED				
		Mariners	Coffee cabin / Shop@ CalMac	The Still	Vending machines	Trolley Service
MV Caledonian Isles	Ardrossan-Brodick					
MV Isle of Arran	Ardrossan-Brodick (summer)					
MV Coruisk	Mallaig-Armadale					
MV Lochnevis	Mallaig-Eigg / Muck / Rum / Canna					
MV Bute	Wemyss Bay-Rothesay					
MV Argyle	Wemyss Bay-Rothesay					
MV Finlaggan	Kennacraig-Port Ellen / Port Askaig					
MV Hebridean Isles	Kennacraig-Port Ellen / Port Askaig					
MV Isle of Mull	Oban-Craignure					
MV Isle of Lewis	Ullapool-Stornoway (relief)					
MV Loch Seaforth	Ullapool-Stornoway					
MV Clansman	Oban-Castlebay / Lochboisdale Oban - Tiree / Coll					
MV Lord of the Isles	Oban-Tiree / Coll / Colonsay Oban-Castlebay / Lochboisdale					
MV Hebrides	Uig-Lochmaddy Uig-Tarbert (Harris)					
MV Loch Portain	Berneray-Leverburgh					
MV Lochinvar	Tarbert-Portavadie					

Figure 1.2.4 (h) – illustrative fleet vessel catering facilities plan.

Facilities proposed at ports / harbours for:

- a) Self-service drinks and snacks not requiring site preparation
- b) Self-service hot food
- c) Table service hot food
- d) Source of produce from small and medium enterprises, in particular fresh produce

a) The facilities for ports / harbours for self-service drinks and snacks not requiring site preparation

Our overall port / harbour catering strategy is to help provide access to catering facilities either at every port or within a short walk / drive. An audit has been undertaken to assess the potential impact on customers and local catering outlets from additional catering facilities including self-service drinks and snacks facilities at each port / harbour to ensure minimal negative impact.

We will install self-service 'combi' drinks and snacks vending machines at two new locations in CY1; these are Brodick and Uig. We will replace the existing snacks vending machine at Kennacraig and supplement the existing hot drinks vending machine at Oban with a combi food and cold drink machine. This will satisfy demand from customers using these ports, giving easy access to snacks, whilst limiting the impact on local catering outlets.

Our central Retail and Catering Team, supported by the Procurement Manager, will source new vending machines through procurement frameworks to ensure a best value approach. They will monitor and measure the performance of new and existing vending machines to ensure that they meet customer requirements and are cost neutral / return a positive net margin.

Table 1.2.4 (f) Planned self-service catering (not requiring site preparation).

Location	Self-Service Drinks and Snacks - Catering facility	Status / Owner
Ardrossan terminal	Coffee Cabin	Existing - CFL owned and managed
Fishnish slipway	*Café	Existing - independently owned and managed
Tobermory terminal	*Café Fish	Existing - Independently owned and managed
Stornoway terminal	*Café	Existing - Independently owned, let by Stornoway Harbour Authority
Ullapool terminal	*Hot drinks vending machine	Existing - Independently owned, let by Ullapool Harbour Authority
Brodick terminal	Drinks and snacks vending machines	New - CFL owned and managed
Uig terminal	Drinks and snacks vending machines	New - CFL owned and managed
Kennacraig terminal	Drinks and snacks vending machine	Upgraded – CFL owned and managed
Oban terminal	Hot drinks vending machine	Existing - CFL owned and managed
	Drinks and snacks vending machines	New - CFL owned and managed
	Hot food vending machine	New - independently owned, CFL managed

**represent facilities independently owned and managed (outside of CFL control)*

We will proactively promote to our booked customers, local independent catering options (within close proximity of each port / harbour) to minimise the local impact of the additional vending facilities.

This information will be displayed alongside details of each port on our website, displayed at ports / harbours, and provided with booking confirmations. Where Harbour Authorities plan to offer a new catering outlet at one of their ports / harbours, such as in the new Brodick terminal, the Retail and Catering Manager will work with them to assess the potential impact

on the local community and encourage them to explore a partnership with social enterprise or local businesses.

b) Facilities proposed for ports / harbours for: self-service hot food

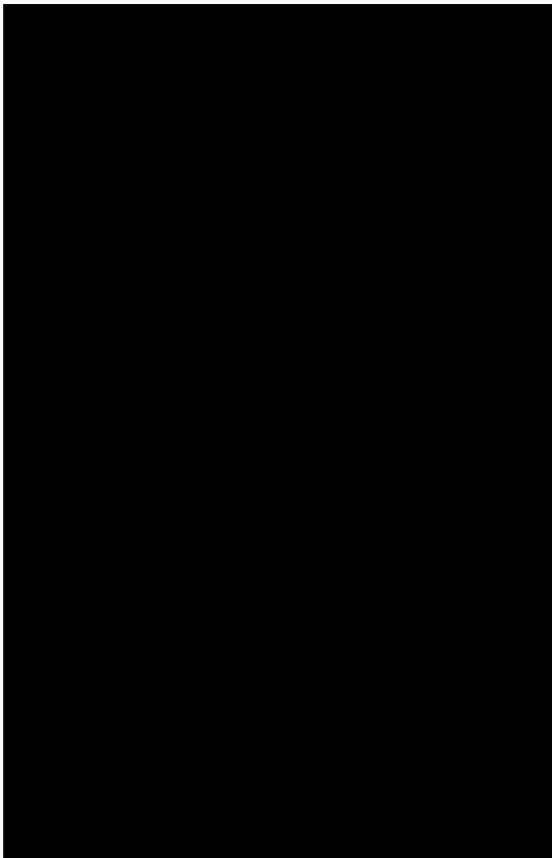
[REDACTED]
[REDACTED]. The Ardrossan Coffee Cabin will continue to operate in its current format.

However, in response to customer feedback we will trial a small self-service hot food offer via a vending machine, such as a Pot Noodle Shop machine (Figure 1.2.4 (i)) at the Oban terminal building, where passenger footfall and dwell time has the potential to make it commercially viable.

We will conduct the trial in CY1, during which time we will review the performance, customer feedback and assess any negative impact on community catering outlets. Subject to positive results additional ports / harbours will be trialled with a full impact assessment prior to confirming a permanent installation.

All ports / harbours, regardless of the hot food vending trial, will continue to promote local catering outlets offering hot food.

Overall, the strategy will be commercially beneficial to both the communities through increase in volume and value of customer spend in the community, and to us as a cost neutral / small net contribution. Recognition and support for the service provided by local catering outlets is a practical example of our commitment to help maintain and develop the local communities.



[REDACTED]
[REDACTED]

c) Facilities proposed for ports / harbours for: table service hot food

In line with the analysis on port / harbour catering, we do not propose a hot food table service at any of the ports.

We will provide our customers with details of local catering outlets (on a non discriminatory basis) that provide self-service and table service hot food for each port / harbour. This information will be published on our website, with booking confirmations, on vessels and at ports / harbours

d) Facilities proposed for ports / harbours for: source of produce from SMEs, in particular fresh produce

All catering procurement will be undertaken in line with Public Contracts (Scotland) Regulation 2015 and the Procurement Reform (Scotland) Act 2014 (where applicable).

Through strategic procurement structuring we will maximise opportunities for SMEs and ensure that local producers can demonstrate their high quality offerings as part of tender processes (where applicable). In this way we intend to continue to offer SME sourced produce in our Ardrossan Coffee Cabin including the majority of 'fresh' produce (such as bread, milk, eggs and cheese). Where practical and in line with the procurement regime local produce from the Isle of Arran or local mainland coastal communities will be sourced.

Community events organised by the central Retail and Catering Team, in conjunction with DMOs and our key supply chain companies, will be held annually. This will encourage potential new SME suppliers to explore opportunities for supplying the Ardrossan Coffee Cabin, with potential to provide for the wider network (for use in restaurants, cafes and / or vending machines).

Facilities proposed for fleet vessels for:

- a) Self-service drinks and snacks not requiring on site preparation
- b) Self-service hot food
- c) Table service hot food
- d) Source of produce from small and medium enterprises, in particular fresh produce

a) Facilities proposed for fleet vessels for: self-service drinks and snacks not requiring on site preparation

CFL's vessel catering strategy is to provide access to a catering proposition on all vessels where sailings are timetabled to be more than 15 minutes.

Self-service drinks and snacks (not requiring site preparation) will continue to be offered on 16 vessels (including the MV Isle of Lewis which is scheduled for relief purposes) through a combination of Coffee Cabins, Shops, Stills and vending machines.

A comprehensive review of vessels currently without a catering offer has identified three additional vessels with potentially viable passenger numbers (and demand); which also have available 'free' space and appropriate access to power / water supplies to accommodate a combi-vending machine (offering snacks and drinks). Vessels to be fitted with new vending machines are:

- » MV Lochinvar
- » MV Isle of Mull
- » MV Loch Seaforth (Observation lounge)

In addition, we will replace and upgrade the vending machines on the MV Caledonian Isles and MV Loch Portain to provide an enhanced product range.

Installation of the new vending machines will be undertaken as part of our vessel investment plan in CY1.

Where it is practically, or commercially, unviable to provide additional vending facilities, we will clearly display details of nearby catering facilities.

We will promote details of self-service drinks and snacks facilities available on each route and planned vessels on the website; displayed at the ports / harbours and included with booking confirmations. Where changes to planned vessels are known in advance, the customer contact centre will send customers updated information using the customer's channel of choice.

We will train CFL catering staff to undertake regular stock replenishment and cash collection duties and will co-ordinate the activity with the relevant port / harbour vending machine replenishment. Where machines experience a low turnover, stock will be rotated around the network, either by the supplier or by ticket office / vessel crew. This will ensure the freshness and availability of snacks and drinks in all machines.

In line with the port / harbour vending machine procurement the central Retail and Catering Team will be supported by the Procurement Manager in the procurement of machines and ongoing assessment of their performance, including customer experience.

The proposed drinks and snack facilities support our overall fleet vessel catering strategy, providing customers with certainty of the available catering proposition on each route and vessel.

b) Facilities proposed for fleet vessels for self-service hot food

CFL will continue to offer self-service hot food on the 13 vessels (including the MV Isle of Lewis). This will be provided through a combination of Mariners restaurants and Coffee Cabins, ensuring no diminution in the current service.

We will enhance the self-service hot food proposition by introducing new menus for both hot and cold food to provide greater variety and choice. We will achieve this by:

- » Refreshing the menu through replacing the less popular items with new ones that have been tested and proven popular with customers. Customers (regular and tourist) will be invited to participate in voting and nominating favourite menu items for inclusion in the main menu. This rolling programme will commence from October 2016, being managed by the central Retail and Catering Team.
- » Expanding menu items through the introduction of 'small plates' and light 'bites' which will broaden the appeal to a wider customer base (customer feedback suggests some of our customers find our generous portions somewhat daunting, often sharing one between two); and appeal to customers looking for a 'hot snack' between meals. These items will be introduced from October 2016 and will be added to throughout the eight years of the Contract.
- » Reconstructing recipes – to make the meals healthier (in line with our commitment to the Scottish Government's Healthy Living). Existing menu items will be reconstructed by commencement of the Contract and new menu items will be developed from scratch to achieve the Healthy Living standard.

To support our self-service strategy, we will also expand our service offering by providing options for customers to 'help themselves' to both hot and cold menu items within Mariners restaurants. To achieve this we will invest [REDACTED] in a range of new, appropriate heated (and

chiller) self-serving display counters, bean to cup coffee machines and crockery / containers e.g. 'plate n' pots' to allow for pies / dishes to be safely pre-plated and self-served. As part of our commitment to supporting and encouraging our local communities we will make local companies and Supported Businesses across Scotland aware of the opportunity to tender for the supply of new / replacement items.

Customers will be able to choose between being served at the counter and helping themselves. This additional service option will enhance the proposition for those customers still wishing to be served by the crew, as it will help reduce the queues and speed up their service.

New heated / chiller counters (sourced by the Procurement Manager) will be installed to support the enhanced 'self-service' hot (and cold) food proposition. These planned changes have been shared with CMAL as part of the overall vessel investment programme.

New processes to support changes to the self-service facilities and proposition will be developed by the central Retail and Catering Team on completion of the procurement process, with training provided to all on board catering crews. This will focus on prioritising food hygiene and safety whilst also ensuring portion control, minimal wastage and continuation of the high-level of customer service.

We will install new counters / chillers between CY1-CY2 in line with the overall vessel investment programme.

The self-service hot food proposition on the MV Argyle, MV Bute and MV Lochnevis (which do not have a Mariners restaurant) will be enhanced from October 2016, ensuring no diminution in service. The range of hot food items offered through heated display cabinets will be expanded, including the introduction of healthier options. The central Retail and Catering Team will analyse sales trends to develop a range of items to appeal to the varying passenger types throughout the year. Cooks will prioritise the preparation and serving of passenger hot food throughout the day, planning crew catering around this duty; and will use forecast passenger information by sailing to prepare (and replenish) appropriate volumes.

The central Retail and Catering Team will measure and monitor the performance of the self-serve hot food proposition, modifying and tailoring it to the specific needs of customers for each route, including introducing seasonal specials. Where permissible, local produce will be sourced but in any event, CFL's procurement strategy will maximise opportunities for SME sourced produce. Key self-serve hot food metrics will be analysed by the central Retail and Catering Team. These will include (overall and by individual item):

- » Volume sold
- » Average passenger spend
- » Gross revenue
- » Gross margin %
- » Gross contribution
- » Wastage
- » Customer ratings (such as quality, quantity, display, taste, smell, value)

The full on-board catering propositions will be strongly promoted to booked passengers across all channels prior to travel. Further promotions will be carried out to passengers during sailings (where relevant) through public address announcements, new digital menu screens and staff engagement with customers. Announcements, made by the OSMs, Chief Stewards or Leading Stewards will be tailored to specific routes, times of day and circumstances (making it relevant to the sailing).

Benefits of this approach:

- » Improved customer satisfaction
- » Higher spend per customer and positive return on investment
- » Bringing to life the customer principles, such as by communicating the “value” of the catering offer making it more appealing and “personal” for different groups of customers

The successful implementation of a range of self-service hot food options will potentially reduce the crewing requirement, which will deliver greater efficiency across the catering proposition.

Added value through refreshing and modernising the Mariners restaurant

Digital Menu Screens:

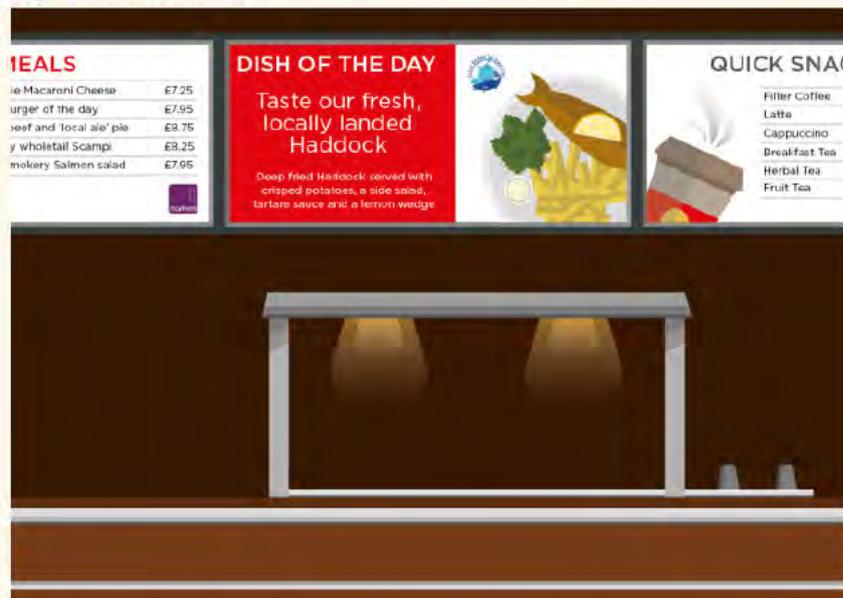


Figure 1.2.4 (j) Mock-up of Mariners digital menu screens.

Over and above the Transport Scotland requirements, new digital menu screens and content management system (linked to the EPOS system) featuring menu items and promotions will be installed in each of the Mariners restaurants between CY1-CY2 (an investment [REDACTED]) – see 1.2.4 (j). These screens will be pre-programmed by the central Retail and Catering Team, for different sailings / times; and will be manually changeable on each vessel (overseen by the OSM / Chief Steward) to allow for intra day promotions such as 'end of day discounts', '2fors' and 'specials'. Care will be exercised to ensure that alcohol is not advertised through discounted advertising / promotion.

The success of the promotions (and impact on demand) will be continuously monitored by the central Retail and Catering Team and OSMs / Chief Stewards.

This information will be used by the team to more accurately profile customer demand on each route / vessel; and to refine both the menu items and promotions to increase sales, switch customer demand between items, reduce wastage and increase overall gross contribution.

Mariners design refresh



We will continue to build on the success of our on-board catering proposition through the development of the Mariners restaurant brand. The Marketing Managers will develop a design specification in 2016 – to be used on all vessel refurbishments and replacements. This will encapsulate the fabulous 'taste' of our menu items, the quality of the produce we use and the honest, 'rustic' nature of the islands and mainland coastal communities we so proudly serve.

c) Facilities proposed for fleet vessels for: table service hot food

A full 'at table' restaurant service (where customers order at a table and have food delivered them) would be commercially unviable and will not be introduced. Two new, added value services will be introduced by the central Retail and Catering Team: 'table service for mobility challenged customers'; and an 'at seat trolley service'.

A new pre-bookable table service for customers with mobility challenges will be trialed to enable them to reserve seats in the Mariners restaurant (at the time of booking) and be fully served at their table (orders taken and food delivered to their table). This service will be piloted on vessels travelling between the mainland and the Outer Hebrides from CY1, during which time we will review the demand and assess customer and crew feedback. Subject to positive results the service will be permanently introduced on this route and considered for expansion to additional vessels serving the longer routes.

An 'at seat' trolley service will be piloted on vessels with a Mariners restaurant during CY1 (see Figure 1.2.4 (k)), providing an additional service option for passengers, particularly those with mobility challenges; those who are keen 'not to lose' their seat by having to go to the Mariners of Coffee Cabin; and those travelling with dogs, who are not allowed to enter the catering outlets. The Procurement Manager will source specialist 'travel trade' trolleys that are capable of simultaneously keeping hot and cold drinks and snacks at the required temperature for up to four hours. Subject to positive customer and crew feedback; and commercially viable performance we will fully introduce the new service from CY2.

[REDACTED]

Initial discussions with Rail Gourmet have identified a potential trolley design that would be stable and robust enough to cope with the challenging conditions of a moving vessel. The pilot will be conducted during the Mobilisation Period to test the trolley design; customer demand; impact on other catering outlets; sales by route / time of sailing; and performance and crew experience.

The central Retail and Catering Team will monitor performance and adjust the proposition by route, time of sailing and other significant variables.

d) Facilities proposed for fleet vessels to source produce from small and medium enterprises, in particular fresh produce

Use of SME sourced produce will continue to be at the heart of the CFL catering proposition, reinforcing both the freshness and quality of produce and limiting the 'food miles' wherever possible.

Our aim is to continue to encourage growth of the SME supplier base particularly for fresh produce, aiming to introduce at least two new SMEs each year. This will be achieved by

adopting strategic procurement approaches which build on European Commission and Scottish Government initiative to maximise opportunities for SMEs (e.g. splitting requirements in to smaller lots).

We are committed to ensuring we pay a fair price to our suppliers and producers ensuring the longevity of their businesses and our supply chain. We recognise that the quality of their produce and the emotional impact of 'local producer stories' will stimulate incremental sales to offset any small increase in cost price over mass produced ingredients.

Growth of our SME producer base will be supported through proactive activity undertaken by the central Retail and Catering Team together with our key supply chain partners. We will promote community-based 'Meet the Buyer' events organised by the central Retail and Catering Team in conjunction with our key supplier chain partners and DMOs. These events will introduce potential producers to the CFL Retail and Catering Team providing an opportunity to present their produce / ideas. New potential producers will be offered support from our supply chain partners, providing them with ongoing support in relation to production, marketing and distribution (as well as potentially introducing them to a wider customer base).

We will continue to manage the supply chain through a consolidation warehouse based in Oban. The central Retail and Catering Team will work with our supply chain partners to ensure suitable stock levels are maintained and that vessels and the Ardrossan Coffee Cabin are appropriately stocked. Consolidation of deliveries will support our initiative to reduce food miles.

Our new SME sourced produce will expand the core range of CFL favourites offered in all Mariners restaurants, such as the CalMac n' Cheese. These items will be supplemented with a small range of route specific 'specials', which will reflect the customer preferences of individual routes, and / or the use of fresh seasonal produce from across the network. These will be identified by the Retail and Catering Team through a combination of on-board customer research / 'tasting trials' and menu suggestions from both customers and the local communities.

The central Retail and Catering Team will work with our key suppliers and producers to develop a range of new and improved menu items using local produce where possible in accordance with the procurement regime.

A new, enhanced Mariners menu, will be tested during mobilisation and launched in CY1. Examples include:

- » **Scottish breakfast** – our hugely popular CalMac breakfast has been given greater Scottish provenance with: bacon sourced from a Scottish producer; a higher quality morning roll sourced from the 'Highlands'; and a newly sourced Scotch link sausage.
- » **Scottish small plates and light 'bites' including Scottish 'Street Food'** – 'Haggis Ravioli' and 'Haggis Tortellini' (developed by MacSweens); and a 'Noodle Pot' range will allow CFL to start capitalising on the street food trend (see Figure 1.2.4 (I)).
- » **Scottish 'sweet things'** – a range of Scottish desserts from Aulds will be launched during 2016 including Scottish Raspberry Cranachan Shortcake, Whisky Mac Cheesecake, Scottish Bramble Tart and Mrs Tilly Brulee Cheesecake)
- » **'wee' Scottish treat** – an impulse bar of Scottish tablet from Mrs Tilly will enhance our successful coffee offering

A selection of the new items (including pre-prepared Bacon Ciabatta rolls, Noodle Pots, and Aulds Scottish desserts) will also be available from our new 'at seat' trolley service and from Coffee Cabins on smaller vessels.

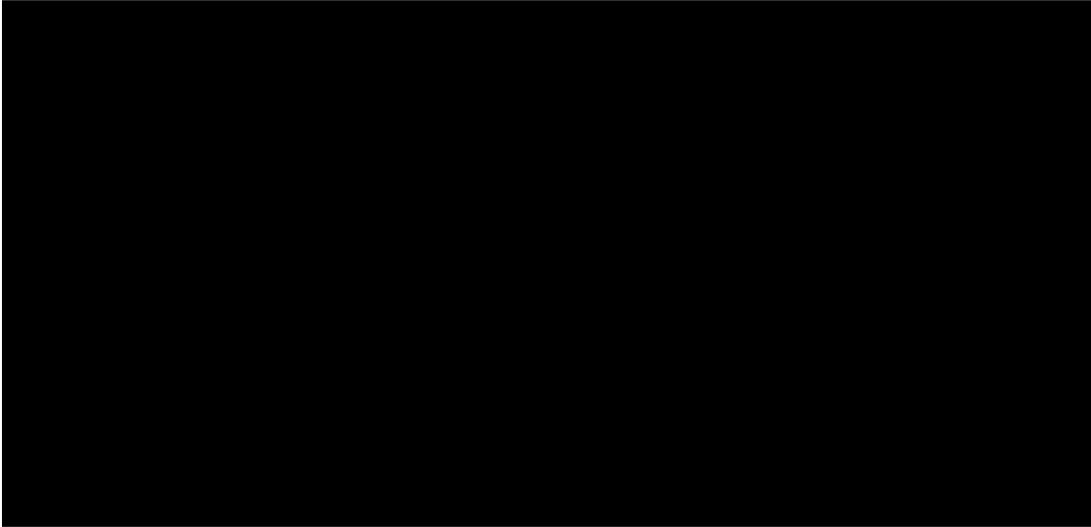


Figure 1.2.4 (I) Examples of new noodle pots and noodle street food.

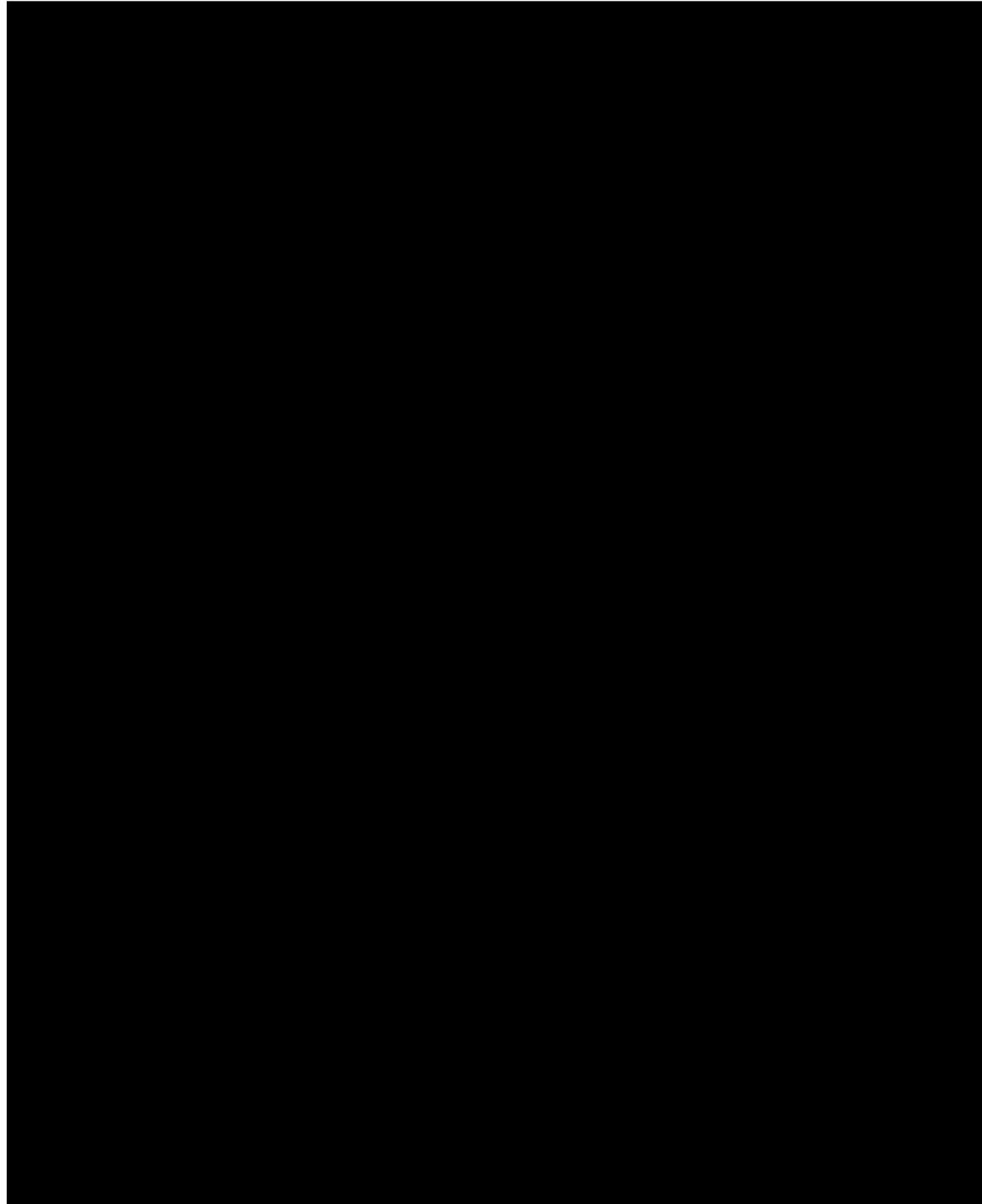
The Marketing Team will promote the use of quality produce (including that sourced from SMEs and any local producers) on the CFL our website, brochures, and within editorials / adverts. They will feature the 'stories behind' the suppliers, using producer profiles to bring the provenance to life and to provide the human element to the sourcing story.

Our overall catering strategy focuses on creating the optimum balance across a number of objectives:

- » Creating wonderfully tasty and appealing food and drink options
- » Encouraging tenders from quality SME producers
- » Promoting local sourced products to the extent permissible by the Public Contracts (Scotland) Regulation 2015 and the Procurement Reform (Scotland) Act 2014
- » Providing a great range of healthy options
- » Provide more 'light bite' and snacking options
- » Tailoring to the individual route's customer
- » Providing value to customers, paying a fair price to producers, whilst achieving an acceptable gross margin

Further promotional support developed by the Marketing Team will include a 'fresh produce' map showing where each of the producers is located. This will be featured on the CFL website, in printed publications and displayed at ports and on fleet vessels; this will help support SME businesses, their communities and encourage food tourism.





In addition to providing delicious menu items using quality produce, CFL is committed to supporting the drive for healthy eating. Menu items will be continually developed using recipes which make it easier for people to eat out healthily through: minimising the level of fat / oil, salt and sugar; making fruit and vegetables clearly available; making starchy foods the main part of most meals; providing healthy, nutritious food for children; ensuring at least 50% of food meets the NHS Health Scotland – Healthy Living Award criteria; and supporting healthier eating through promotion and marketing.

The range of products aimed at the group / tour operator market (i.e. light bites) will be expanded to increase the numbers of passengers eating / drinking, leading to increased revenue and gross margin. Specially developed 'group menus' will be promoted to pre-

booked customer groups, to encourage pre-travel booking and provide greater value for money.

Our commitment to value for money will be underpinned through the introduction of a range of meal deal promotions for individuals, kids and families. These will be offered either as vouchers for pre-purchase or purchased on-board and will be valid for six months from the date of purchase for customers to use on other sailings if they prefer. The offer will include combinations of food and drink at a set price enabling customers to plan and budget more accurately.

The Retail and Catering Team will also develop a range of bundled tickets, which will be strongly promoted across our website. These will be tactically used as a tool to help us to manage demand particularly on the busier sailings, encouraging customers to book on quieter sailings in order to qualify for one of the bundles. Bundled tickets available for us to use will include:

- » Pre purchased / reserved meals allowing customers to choose and order prior to boarding)
- » Priority queue within the Mariners allowing customers fast track access
- » Discount or free drink
- » Pre-ordering off a special menu including a wider range of delicious menu item

Added Value - sustainability and community website support

The Retail and Catering Team will implement a number of initiatives over and above the Transport Scotland requirements, which will complement our overall catering proposition and demonstrate our commitment to being an environmentally aware and responsible company.

Sustainable procurement and recycling

In line with the commitments of our Environmental Management Plan, we will implement a green procurement policy to:

- » Reduce the amount of resources we use
- » Reuse products instead of buying new
- » Purchase sustainable products
- » Explore the opportunities of reducing landfill waste through: 'Mega composting' catering waste – possibly through agreements with Island initiatives (such as Big Hanna on Rum), Pyrolysis (incineration)

Best of the west coast produce website

As part of our continued commitment to encouraging and supporting local producers we will work with DMOs and local producers to support the set up a 'best of the west coast and islands' website for the promotion and retail of their local produce (to be managed through a co-operative committee). We will encourage the islands and local mainland communities to work together to set up the website; and will provide support and ongoing advice on how to promote their produce. Representatives from our Customer, Sales and Marketing Team will share expertise in retail, marketing and web development and promote it to our significant customer base to help establish the website as the premier location for local produce.

Key features and benefits of the CFL catering proposition are:

CFL Feature	Benefit
Graphical and accessible friendly Catering Plan.	An easy reference guide for customers to understand catering facilities and services available at each port / harbour, route and vessel, which supports our customers' planning process, provides certainty of options, and leads to increased catering revenue.

CFL Feature	Benefit
Access to a catering proposition at / near every port / harbour (where practically possible).	<p>Greater access to catering facilities, coupled with greater awareness and certainty.</p> <p>Supporting local communities and economies (fair and equal opportunity for all).</p> <p>Increased catering revenue for both CFL and local communities.</p>
Access to a catering proposition on fleet vessels.	<p>Greater access to on-board catering facilities, coupled with greater customer awareness and certainty.</p> <p>Supporting local communities and economies (fair and equal opportunity for all).</p> <p>Increased catering revenue for both CFL and local communities.</p>
Self-service hot food on routes / vessels.	<p>Potentially more cost effective service mechanism (after investment in appropriate self-service crockery and equipment).</p> <p>More appealing and greater ability to influence sales.</p>
Source, use and sale of a range of SME sourced / produced foods in particular fresh produce.	<p>Reinforce the association and reputation for quality SME produce to increase customers' purchase volume and value.</p> <p>Provide additional 'seed volume for emerging suppliers', thereby supporting economies and communities.</p> <p>Showcase the best of the network by encouraging food tourism and associated spend.</p>
Crewing and outlets aligned to forecast customer demand.	<p>Greater efficiency of catering crew and improved catering outlet profitability.</p> <p>Apprenticeship opportunities for locally based young people.</p> <p>Opportunities for part time, home based roles.</p> <p>Reduce reliance and cost of seasonal / relief crew.</p>

Service offerings and contractual undertakings milestones

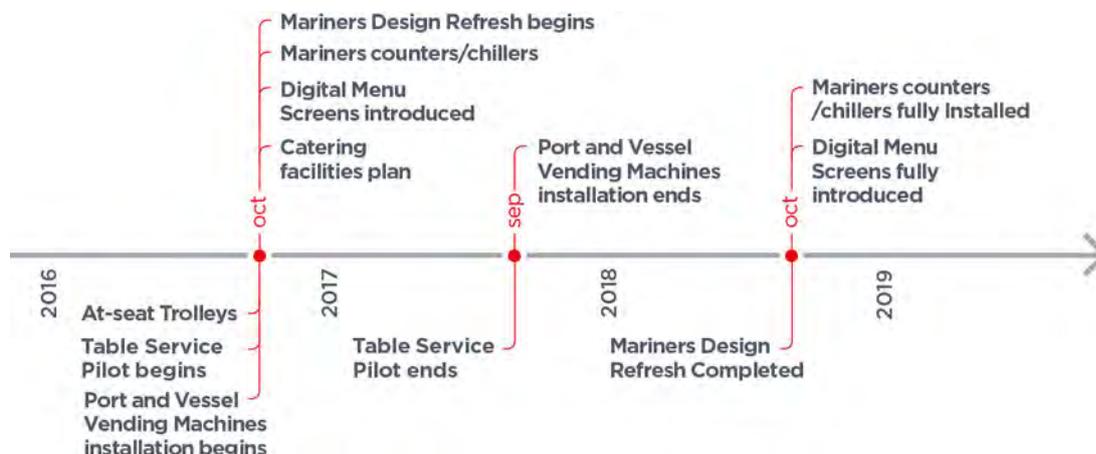


Figure 1.2.4 (n) Key Service Offering and Contractual Undertakings milestones.

Contractual undertakings	Milestone date
We will produce a plan (in graphical and in 'text to speech readable' format) showing the catering services at each port / harbour and on the fleet vessels – and publish on the CFL website and in brochures.	Ongoing from Commencement Date
Produce maps showing where individual producers are located – and the type of products they produce.	Ongoing from Commencement Date
Install new / upgraded snacks and drinks vending machines on 5 vessels and 4 port terminals	CY1
Trial a hot food vending machine at the Oban port	CY1
Implement a refreshed look and feel to the Mariners restaurants.	CY1-CY2
Install new heated counters / chillers within the Mariners restaurants.	CY1-CY2
Refresh and expand the Mariners menus.	Ongoing from Commencement Date
Install digital menu screens in all Mariners restaurants.	CY1-CY2
Pilot a trolley service on major vessels with Mariners restaurants (and roll-out where commercially viable)	Pilot - CY1; Potential roll-out CY2
Trial a table service for customers with mobility challenges on routes between the mainland and the Outer Hebrides (and permanently introduce the service subject to demand and viability)	CY1
Imbed principles of SME engagement and sustainability within the procurement strategy for catering.	Ongoing from Commencement Date
At least 50% of the Mariners menu will meet the NHS Health Scotland – Healthy Living Award.	CY1 onwards
Increase the new SME produce base (targeting to source at least two new SMEs each year).	Ongoing from Commencement Date
Arrange annual events across the network to identify and attract and encourage SME producers.	Ongoing from Commencement Date
Target the sourcing of at least 80% of fresh catering produce from SME's	CY3
Provide details of local catering outlets near to ports / harbours on the CFL website.	Ongoing from Commencement Date

Contractual undertakings	Milestone date
Provide support and advice for the creation of a 'best of the west coast and islands' website (promoting and retailing local produce to the extent permissible by law).	Ongoing from Commencement Date
Extend the range of products aimed at the tour / group market.	CY1

*CY – Contract Year

1.2.5 Retail Services

Service offerings and contractual undertakings

CalMac Ferries Limited’s (CFL) retail and gaming / entertainment strategy and service offerings have been informed by detailed customer, supplier and community knowledge and understanding.

Our retail proposition will focus on promoting local retail outlets within close proximity of the ports / harbours (in a non discriminatory manner) supporting their economic growth and internationalisation, and providing them with efficient and predictable access to their customers. Local economies will be further supported through showcasing a broad range of artisan crafts from around the network, exposing hundreds, even thousands, of potential customers every year to their local artisan produce, products and crafts.

Relevant gaming and entertainment facilities will be provided, tailored to each route and customer profile. Free Wi-Fi access at all ports and on all vessels will provide new modern, relevant services over the life of the Contract such as video streaming, large file downloads and interactive gaming. New teenage gaming activities, modernised toddler clubs and additional family television lounges will deliver an enhanced customer experience.

Service offerings

Proposals for generating and managing retail and gaming / entertainment services

[Redacted text block]

The Retail and Catering Team will be responsible for the developing and implementing the retail range, category and floor plans, aligning each to the profile of vessel, passenger and seasonality. [Redacted text]

[Redacted text]

During Mobilisation the team will work with Destination Marketing Organisations (DMOs) to build on the successful catering model to foster excellent understanding and rapport with the local communities, encouraging the emergence and growth of local producers and artisans. Together with the DMOs they will arrange annual events for local artisans to meet with each

and to help identify additional training / development that could be used to further enhance the overall retail and gaming / entertainment propositions. The team will have regular exposure to best practice from other retail and entertainment industries, both within and outside the travel sector in addition to attending a range of relevant technology and service conferences / exhibitions / webinars to identify emerging trends and potential innovation.

a) A plan to show the range of retail services at the port or harbour and on-board the fleet vessels, to show the range of products to be retailed and / or services to be provided

Our plan, by route, shows the retail and gaming / entertainment facilities that will be available (by the end of CY3) at / on:

- » Each port / harbour, as illustrated in Figure 1.2.5 (g)
- » Each fleet vessels, as illustrated in Figure 1.2.5 (h)

In line with our accessibility strategy, the plan will also be produced as an 'accessible friendly' list enabling it to be translated by a text-to-speech reader.

The plan will be published in full on the CFL website and in brochures (e.g. Days Out), with the central Retail and Catering Team having accountability for ensuring it is kept up-to-date as new retail or gaming / entertainment facilities are introduced or updated. The website, managed by the Marketing Team, will also clearly promote where third party retail options may be available close to the port / harbour. A subset of the plan, and local retail outlets, relevant to the specific route / vessel and ports will be published at the port offices and on-board.

1. Table 1.2.5 (a) Port / harbour retail and gaming / entertainment facilities.

PORT/SLIPWAY	RETAIL	CRAFT DISPLAY	CALMAC TV	INTERNET TERMINAL
Ardrossan	✓ (Small range)	✓	✓	✓
Ardmhor			✓	
Armadale			✓	
Berneray			✓	
Brodick		✓	✓	✓
Campbeltown			✓	
Canna				
Castlebay			✓	
Claonaig				
Colintraive				
Coll			✓	
Colonsay			✓	
Craignure			✓	
Cumbrae				
Eigg			✓	
Eriskay			✓	
Fionnphort				
Fishnish				
Gigha				
Iona				
Kennacraig			✓	
Kilchoan				
Largs			✓	
Leverburgh			✓	
Lismore				
Lochranza				
Lochaline				
Lochboisdale			✓	
Lochmaddy			✓	
Mallaig			✓	
Muck				
Oban		✓	✓	✓
Port Askaig			✓	
Port Ellen			✓	
Portavadie			✓	
Rothesay			✓	
Raasay			✓	
Rhubodach				
Rum				
Sconser			✓	
Stornoway		✓	✓	✓
Tarbert (Harris)			✓	
Tarbert (Loch Fyne)				
Tiree			✓	
Tayinloan				
Tobermory			✓	
Uig			✓	
Ullapool		✓	✓	✓
Wemyss Bay			✓	

Table 1.2.5 (b) Vessel retail and gaming / entertainment facilities.

VESSEL	ROUTE	CALMAC TV	RETAIL	CRAFT DISPLAY	GAME ON	TEEN ZONE	KIDS CLUB
MV Argyle	Wemyss Bay–Rothesay	✓	✓	✓	✓		
MVBute	Wemyss Bay–Rothesay	✓	✓	✓	✓		
MV Caledonian Isles	Ardrossan–Brodict	✓	✓	✓	✓		✓
MV Clansman	Oban–Craignure						
	Oban–Coll / Tiree	✓	✓	✓	✓		✓
	Oban–Castlebay / Lochboisdale						
MV Coruisk	Mallaig–Armadale	✓			✓		
MV Eigg	Relief						
MV Finlaggan	Kennacraig–Port Ellen / Port Askaig	✓	✓	✓	✓		✓
MV Hallaig	Sconser–Raasay	✓					
MV Hebridean Isles	Kennacraig–Port Ellen / Port Askaig	✓	✓	✓	✓		✓
MV Hebrides	Uig–Lochmaddy	✓	✓	✓	✓		✓
	Uig–Tarbert (Harris)						
MV Isle Of Arran	Ardrossan–Brodict (summer)	✓	✓	✓	✓		✓
MV Isle Of Cumbrae	Relief						
MV Isle Of Lewis	Ullapool–Stornoway (relief)						
MV Isle Of Mull	Oban–Craignure	✓	✓	✓	✓		
MV Lochinvar	Tarbert–Portavadie	✓					
MV Loch Alainn	Ardmhor (Barra)–Eriskay	✓					
MV Loch Bhrusda	Relief						
MV Loch Buie	Fionnphort–Iona						
MV Loch Dunvegan	Colintraive–Rhubodach						
MV Loch Fyne	Fishnish–Lochaline	✓					
MV Loch Linnhe	Tobermory–Kilchoan	✓					
MV Lochnevis	Mallaig to Armadale	✓	✓	✓	✓		
	Mallaig to Small Isles						
MV Loch Portain	Berneray–Leverburgh	✓					
MV Loch Ranza	Tayinloan–Gigha	✓					
MV Loch Riddon	Largs–Cumbrae Slip	✓					
MV Loch Seaforth	Ullapool–Stornoway	✓	✓	✓	✓	✓	✓
MV Loch Shira	Largs–Cumbrae Slip	✓					
MV Loch Striven	Oban–Lismore	✓					
MV Loch Tarbert	Claonaig–Lochranza	✓					
MV Lord Of The Isles	Oban–Tiree / Coll / Colonsay	✓	✓	✓	✓		
	Oban–Castlebay / Lochboisdale						
MV Raasay	Tobermory–Kilchoan						

Details of retail at / near to the relevant ports / harbours, routes and (planned) vessels will also be included with booking e-mail confirmations. Where changes to planned vessels are known in advance, customers will be updated through their channel of choice

Details of third party retail outlets at or near to ports (who wish to be featured) will be compiled during Mobilisation, ready for inclusion in communications and on the CFL website from October 2016.

[REDACTED]

[REDACTED]

Gaming

Ports / harbours

In order to retain the relaxed and inclusive nature of our port / harbour waiting areas, we do not propose installing any gaming machines at the ports. Rollout of the free Wi-Fi (Valliant) programme at manned ports during Contract Year one (CY1) will enable customers (adults) to access gaming websites on their own devices.

Fleet vessels

[REDACTED] to provide greater variety and broaden its appeal to a wider customer base, including a greater proportion of women. The popular high pay out machines (jackpot of more than £400) will be retained and supplemented with new quiz based machines. The introduction of games with wider appeal (quiz and bingo machines) and route specific games will both personalise the gaming experience and appeal to a new 'untapped' audience [REDACTED]

[REDACTED]

Rollout of the free Wi-Fi (Valliant) programme on major and medium vessels during CY1 will provide opportunities to introduce online gaming machines and enable customers (adults) to access gaming websites on their own devices.

All changes to the gaming proposition will comply with the Gambling Act 2005 and the Licenced Conditions and Code of Practice (LCCP) reinforcing our commitment to gaming best practice.

In line with the vessel investment programme the look and feel of the dedicated Game On zones will be refreshed and modernised to increase awareness / positive perception and broaden the appeal across adult passengers (particularly women who are under-represented compared to the passenger profile and national average). [REDACTED]

[REDACTED]

[REDACTED]

Entertainment

Ports / harbours

The ports / harbours entertainment proposition will be enhanced by a combination of free internet access and television. This strategy will reflect the importance of digital connectivity to customers, local business and communities. Provision of free internet access via an internet-enabled terminal at five of the major ports will reinforce CFL's commitment to Scotland's Digital Participation Charter. This will be free for use by customers, local businesses and the local community. Appropriate filters and security will be installed and usage policies clearly communicated to ensure fair access to all and to avoid inappropriate content being accessed.

In line with the Marketing strategy, 'CalMac TV' will be installed at ports / harbours, where practically possible. These large screen TV's will show a mix of 24 hour news, light entertainment, CFL travel information and CFL generated advertising. Planned installations have been discussed with harbour authorities as part of the overall ports investment programme. The Marketing Department will manage CalMac TV, with additional content on travel updates across the network being provided by the customer Contact Centre.

The installation of both internet terminals and CalMac TV will be carried out as part of the port investment programme in CY2.

Fleet vessels (families, children (0-5), children (5-teens))

A broader range of on-board entertainment propositions will be provided, tailored around the needs of different customer groups - families, children (0-5), children (5-teens).

Fleet vessels - family entertainment

CalMac TV (large TV screens) will be installed either in dedicated TV lounges, or in generic passenger lounges on major and medium vessels. This will show a mix of 24-hour news; light entertainment, CFL information and CFL generated advertising. Planned changes have been discussed with Caledonian Maritime Assets Ltd (CMAL) as part of the vessel investment programme. The central Retail and Catering Team will continue to work alongside CMAL to scope requirements for all new major vessels to incorporate TV lounges with large screens to support CalMac TV.

As with ports / harbours, on-board digital connectivity is a key part of the CFL entertainment strategy. The central team will work with CFL's IT Department and connectivity providers to identify opportunities for increasing the speed and bandwidth, especially on the longer routes that sail further from the mainland, causing greater connectivity challenges.

As a signatory to Scotland's Digital Participation Charter, we will provide an internet-enabled terminal on five of the major vessels for free use by customers. Further rollout of terminals to other vessels will be assessed as internet connectivity on longer routes is realised.

Appropriate filters / security will be installed by [REDACTED] and policies regarding use clearly communicated to customers to ensure fair access to all and to avoid inappropriate content being accessed.

Installation of CalMac TV and internet terminals will be undertaken in line with the vessel investment programme in CY2. [REDACTED]
[REDACTED]
[REDACTED]

Delivering added value

To further enhance our TV proposition, we will explore the introduction of blue-tooth headsets to enable customers to listen to the televisions without disturbing others (especially where there is no dedicated TV lounge).

Fleet vessel - children's entertainment (0-5)

[REDACTED] will oversee the modernisation of the existing Cub Club proposition by developing a bright and colourful standard look and feel (building on the success of the Loch Seaforth design). A broader range of games and activity floor mats will be introduced to extend the appeal to 0-5 year olds. Where space allows, they will explore installing a large screen TV to show dedicated children's TV / films. The new proposition will be offered on the vessels serving the longer crossings.

The Marketing Department and central Retail and Catering teams will work together during Contract Mobilisation to merge the on-board Cub Club with the online Kids Club to create a single consistent brand and help increase participation pre, during and post travel. The new design and 'Kids Club' branding will be developed as part of the on-board branding development, with vessel modifications undertaken between CY1 – CY2.

On vessels where the Cub Club is inappropriately located but actively used, [REDACTED] will explore relocating it away from the Game On areas and away from open deck doors. The team will also advise CMAL of requirements for all new major vessels.

An at-seat catering drinks and snacks service to parents / carers and children using the facilities will be provided on some sailings through use of catering trolleys.

[REDACTED] the removal of Cub Club facilities from vessels covering shorter routes where usage is infrequent. This will enable the space to be made available for other passenger services, such as kids interactive games, or luggage storage.

The new Kids Zone will encourage greater participation providing an improved experience for children and their parents / carers; and enhance safety and child welfare.

Adding value to our younger customers

In addition to the modernisation and expansion of the Cub Club, the Marketing Team will further enhance children's experience through a re-launched online Kids club.

In October 2016 the Marketing Department will re-launch the CFL online Kids Club, removing the annual fee and providing both educational and entertainment content, including a full programme of activities, information, games and competitions. The new club will offer children's meal / drink or snack vouchers when travelling with parents that can be topped up by parents on the day.

The Marketing Team will also work with third parties (especially tourism / activity attractions across the network) to provide relevant and appropriate content and offer vouchers / discounts to children when

Adding value to our younger customers

accompanied by parents

The Kids Club will be promoted across all channels providing additional opportunities to sign-up at ports and on-board vessels

Fleet vessel – children’s entertainment (5-‘teen’)

In response to demand from teenagers across the network a range of exciting interactive games machines (e.g. Xbox Towers) will be trialled on major vessels covering longer routes. A small charge will be levied to cover the cost of rental. [REDACTED] will ensure games are carefully located away from the existing Game On zones to deter any inappropriate use of gambling machines by minors.

A range of games will be provided to appeal to different age groups and different interests, ensuring all are suitable for access by minors. [REDACTED] will conduct surveys with users of the games and online Kids’ Club members to identify favourite game titles they would like to see loaded.

[REDACTED] CMAL to scope requirements for all new vessels to incorporate Kids’ gaming areas, where appropriate. The installation of new trial machines will be undertaken during CY1. [REDACTED] will monitor usage and customer feedback during to assess the success of the machines and to determine whether the programme should be extended, changed or removed.

The introduction of a modern and appropriate entertainment proposition for children (Teen Zone) will appeal to a currently un-served market, enhancing their experience and building positive brand associations with our ‘customer of tomorrow’.

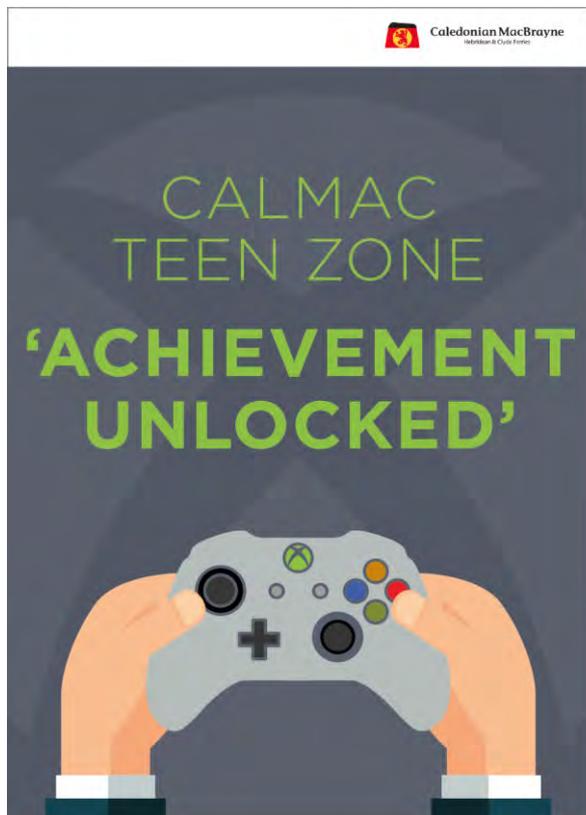


Figure 1.2.5 (i) Teen focused graphic promoting the new Teen Zone.

Delivering added value

In line with predicted enhancements in the internet (connectivity, bandwidth and speed) we will explore potential for customers to access their online gaming accounts and collaborate with other gamers on the internet.

Retail products range and services – ports / harbours and fleet vessels:

CFL's exciting new retail strategy will provide a showcase for the very best of the west coast and islands' products and crafts, helping to establish exciting new artisan businesses and propel them onto the international stage to join the likes of Harris Tweed and Arran Aromatics.

Ports / harbours:

Whilst many ports have limited space or footfall to justify a retail offer, CFL is committed to supporting the many excellent local artisans from across the network. The port / harbour retail strategy, therefore, is to focus on proudly showcasing the very best local products and crafts from the west coast and islands, and clearly signposting where they are available to purchase.

Our proposed port / harbour retail strategy will be to provide customers with an awareness of local artisan and heritage products and what is available in the locality. This approach further supports our strategy of support for the local communities by helping to promote their artisan businesses and outlets.

Where port space permits display cabinets will be installed to promote these crafts (on a non discriminatory basis), and the interesting and varied lives of the local artisans themselves. The cabinets will be managed by the port staff who will display the crafts, or oversee the local artisans as they prepare their own display. Where space or footfall is limited promotional materials will be provided (by the Marketing Team) to create awareness of the breadth and location of the local artisans. The Marketing Team will also record informational films to be shown on CalMac TV, installed in the terminals and / or on digital advertising display boards in the waiting areas. The display of local crafts to be loaned to CFL will create awareness and interest in the destinations supported by CFL, helping to stimulate future travel and tourism across the network.

Vessels:

CLF's on-board retail strategy will be to showcase and / or sell local artisan and heritage crafts, and to offer a comprehensive range of everyday products selected by the central Retail and Catering Team that will occupy and entertain passengers.

The retail 'outlet' strategy is to continue to promote our retail range through Shop@CalMac outlets co-located with our Coffee Cabins. [REDACTED] will engage with CMAL to influence the design of the retail and catering outlets on new vessels to optimise the retail and display areas and enhance the customer experience.

[REDACTED] will be responsible for implementing a new retail range and shop layout featuring six distinct categories that will support themed merchandising and an enhanced shopping experience for customers (see Figure 1.2.5 (j)):

- » Sweet and Savoury (part of the catering proposition)
- » Information and Entertainment
- » Gifting and local memorabilia

- » Travel and Convenience
- » Promotions
- » Artisan and Heritage Crafts



Figure 1.2.5 (j) – Proposed retail category plan.

All retail procurement will be undertaken in line with Public Contracts (Scotland) Regulation 2015 and the Procurement Reform (Scotland) Act 2014. [REDACTED]

[REDACTED] will supplement the everyday range of retail products with gifting and local memorabilia products to provide additional interest and create a link between the retail range and local artisan craft display. Examples of gifting and local memorabilia include items such as Ileach newspaper from Islay, books written on, or about the specific islands, calendars or tea towels depicting the fabulous Hebridean wildlife). Inclusion of local artisan and heritage craft displays will be used to promote the islands and generate future incremental travel and tourism across the network.

The 'promotions' (or dynamic) retailing section will support frequently changing product ranges and or promotions (i.e. hats, gloves and umbrellas in cold wet weather; switching to sun cream and midge spray as the weather improves). The area will also support seasonal or event driven promotions such as products / gifts for Valentines, Christmas and St Andrews' Day.

The craft section will showcase the very best local artisan and heritage products and crafts (including those from the west coast and islands), displaying a range of products and clearly signposting where they are available to purchase (i.e. on the artisan's own website, at their workshop or from other on or offline retailers). Selection of artisan producers will be carried out in a non discriminatory manner and will enable customers to browse and be inspired by the local artisans / products (encouraging them to visit their workshop during their current or future trip), without requiring CFL to hold expensive, slow moving stock throughout the year.

[REDACTED] will source a small range of local artisan crafts to be offered for sale during peak tourist seasons will within the promotional section of the Shop, ensuring a relevant and appealing offer to a willing and enthusiastic customer.

To support the new retail and stock management strategy a new EPOS system will be implemented by the CFL IT function by service commencement. This will provide functionality for handling promotions, accepting Smart cards, mobile transactions and ordering / managing stock.

Vessels currently without a retail offer will promote selections from the 'best of the local crafts' on promotional literature displayed on our local Communities board. This will be further supported by the use of CalMac TV (where installed) to promote local artisans and the stories of their lives in the community.

b) Plan for the original source of products, in particular craft products

Artisan and heritage crafts will represent a key element of the retail strategy:

- » Showcasing a board range of local artisan craft products in a display cabinet outside of peak season (products will be selected on a non discriminatory basis)
- » Showcasing and retailing a small range of route specific crafts during peak season
- » Providing 'pop-up' retailing opportunities for local artisans to sell and promote their crafts

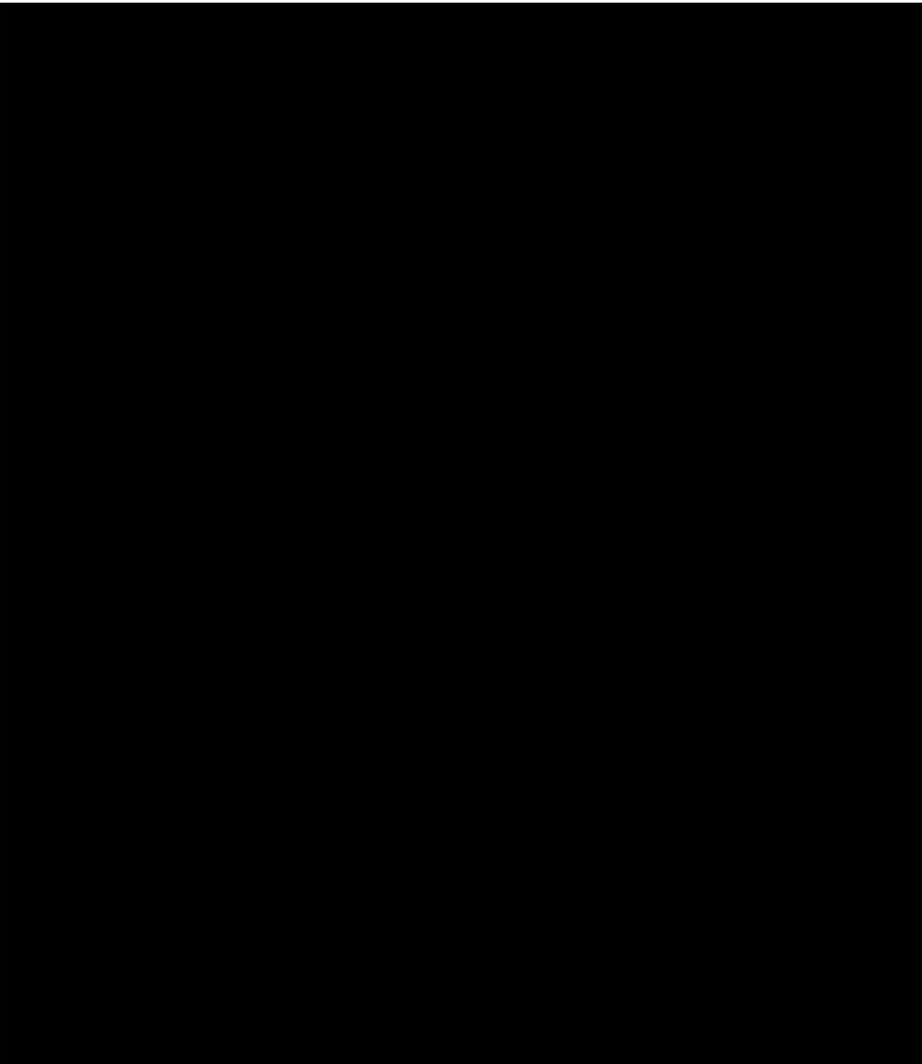


Figure 1.2.5 (k) – Example of the Artisan and SME location map.

████████████████████ will actively seek to increase the amount of local craft producers (aiming to the extent permissible by law to source at least one from every island

and community during CY1) in turn helping to create and support new jobs. To achieve this [REDACTED] will build on the successful catering producer sourcing model to establish a network of community suppliers who can identify and encourage local artisans to produce crafts for retailing and showcasing across the network. [REDACTED] will also create showcase annual events around the network each year with [REDACTED] to publicise the opportunity and annual 'meet and greet' events across the network commencing in CY1. These meetings will encourage new potential artisans and also be used to review new products / promotions developed by existing local artisans – in order to assess their potential for inclusion in the overall retail range.

Artisan craft producers will be encouraged to tender for contracts particularly producing route specific items for retail or display, which is in-line with our strategy to support local artisans in setting up and developing their businesses. Promotion of provenance will be key to reinforcing the retail proposition. The Marketing Department will produce location maps (See Figure 1.2.5 (k)), highlighting where local products and crafts are sourced from and featuring pen profiles of the producers / artisans.

[REDACTED] will create additional retail and promotional opportunities through the use of 'pop-up' retail stands. Local artisans / craft retailers will be encouraged to promote and sell their crafts on-board (similar to the successful catering pop-up retail as in Figure 1.2.5 (f)). These opportunities will be managed by the [REDACTED] and community groups. Seasonal programmes of pop-up retail opportunities will be agreed for each route / vessel [REDACTED]

Artisans will bear the full cost of promoting their own products providing their own display stands and materials. No additional costs will be made or incurred by CFL. The promotion of these local crafts will support promotion of the islands and generate future incremental travel and tourism across the network.

To further promote the craft element of the retail proposition the Marketing Department will support the development of a 'best of the west coast and islands' website providing local artisans with marketing advice and guidance. They will co-ordinate with [REDACTED] to promote the concept and encourage artisans from across the network to sign-up and form a Committee of members to set up and run the website. CFL (representative from the Marketing Department) will sit on the management Committee, providing on going support and advice.

c) The use of products to be sourced from small and medium [REDACTED]

[REDACTED] Our approach to retail sourcing will provide Transport Scotland with maximum value for money, achieving the optimum balance between cost, quality and sustainability whilst meeting our procurement needs.

In line with the Scottish Government's initiatives CFL's retail sourcing strategy will continue to take every opportunity to involve micro companies and SMEs in its supply chain. [REDACTED] will continue to use their experience of working with SMEs (businesses, social enterprises and third sector bodies) to deliver a significant contribution to our retail offer. We recognise that SMEs are often ideally placed to produce small quantities of high quality products to meet our requirements and to deliver value for money, either individually or as part of a consortium.

CFL Feature	Benefit
Effective management of retail and gaming / entertainment services.	Effective cost control, driving incremental sales and gross profit.
Graphical and 'accessible friendly' Retail and Gaming / Entertainment plan available at ports / harbours and fleet vessels.	An easy reference guide for customers to understand retail facilities and gaming / entertainment services available at each port / harbour and vessel that supports customers' planning process and provides certainty of options, increased customer satisfaction and revenue.
Port services: Promotion of locally sourced products / crafts at ports TV's where practical (no gaming machines) Free internet access (via terminal)	Low cost, high impact initiative encouraging incremental travel across the network, supporting local businesses and communities. Provides 'inclusive' basic entertainment. Extend port facilities in to the wider community.
Vessels retail: Focus on selling and promoting local products / crafts to supplement core generic range Flexible crewing aligned to forecast customer demand New EPOS	Supports local businesses / communities. Manages costs (net profit) and aligned to forecast customer demand. System capable of supporting new retail proposition (including promotions and mobile offer).
Vessels – gaming and entertainment: Free internet access (via terminal) Refreshed and relocated Kids Club (expanded to 0-5) New gaming machines for 5-teens Additional TVs (where practical) Refreshed and broader appeal Game On area / machines	Greater appeal / satisfaction. Increased revenue. Improved Net Promoter Score (more advocates).

Service offerings and contractual undertakings milestones

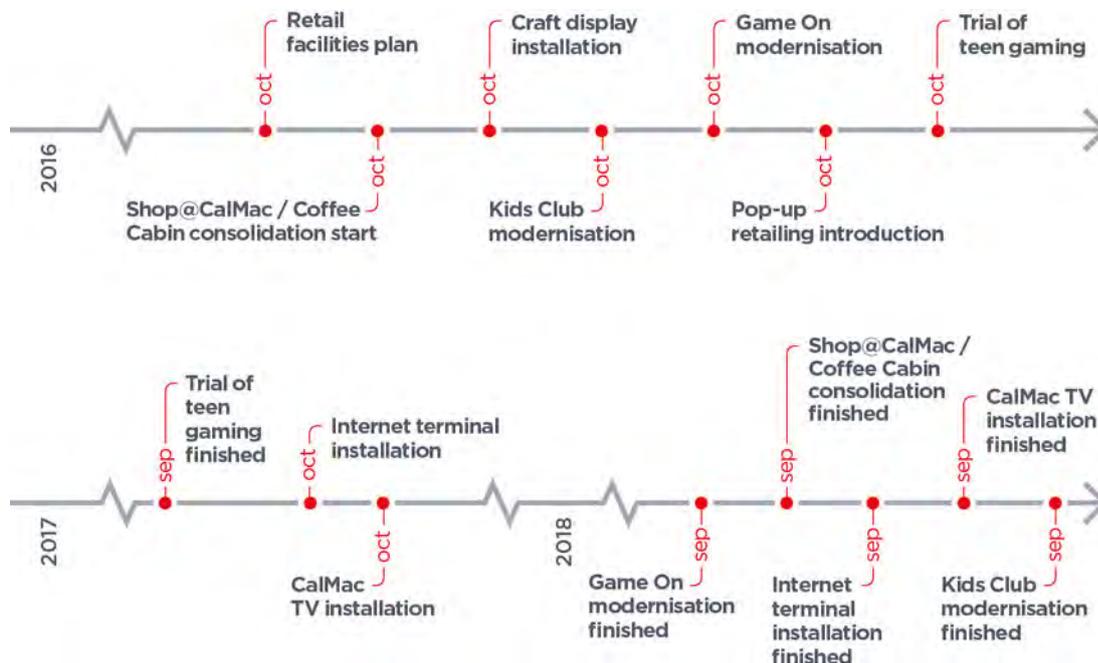


Figure 1.2.5 (I) Timeline of Retail and Gaming / Entertainment initiatives.

Contractual undertakings	Milestone Date
Produce a plan (in graphical and in 'text to speech readable' format) showing the retail and gaming / entertainment services at each port / harbour and on the fleet vessels – and publish on the CFL website and in brochures.	On-going from Commencement Date
Produce a series of network maps showing where individual artisan businesses are located – and the type of products they produce.	On-going from Commencement Date
Close the standalone vessel shops – co-locating the shops with the existing Coffee Cabins.	CY1 – CY2
Continue to upgrade the adult gaming and gambling machines to provide greater variety.	CY1 – CY2
Install free access internet terminals at five ports and on five major vessels.	CY2
Install large screen TVs showing 24 hour news and light entertainment (as part of CalMac TV) at ports and on-board major and medium vessels	CY2
Modernise and expand the on-board Cub Club to appeal to 0-5's, rebranding it as Kids Club, removing or relocating in line with customer demand.	CY1 – CY2
Trial a range of interactive 'teen zone' games machines on vessels operating between the mainland and the outer Hebrides).	CY1
To the extent permissible by law we will provide a showcase for the very best of the west coast and islands products and crafts.	Ongoing from CY1
Display our enhanced retail range through six distinct retail categories within the Shop@CalMac.	CY1 to end CY3
Provide pop-up retailing opportunities for local artisans and retailers (on a non-discriminatory basis).	Ongoing from CY1

Contractual undertakings	Milestone Date
Aim to increase the new craft supplier base (aiming where permissible by law to source at least one from every major island and community during CY1).	CY1
Arrange annual events across the network to identify, attract and encourage local artisans to produce crafts for retailing and showcasing across the network.	Ongoing from CY1
Reference local artisan producers on the CFL website on a non-discriminatory basis (to encourage future travel)	Ongoing from CY1
Provide support and advice for the creation of a 'best of the west coast and islands' website (promoting and retailing artisan crafts and products).	Ongoing from Commencement Date
Target to source the majority of our retail products from SMEs.	On-going from Commencement Date
Target to recruit two new SME retail suppliers each year	On-going from CY1
Produce detailed statements by vessel and route showing retail revenue and expenditure	Ongoing from Commencement Date

*CY – Contract Year

2. ASSOCIATED LIFELINE SERVICES

2.1. In addition to providing the Services, the Operator shall be required to respond to certain requirements for associated lifeline services in the Clyde & Hebrides which require to be supported by the Operator employing CMAL Vessels. An illustrative non-exhaustive list of such events is set out below:

sailings for the Ministry of Defence vehicles that cannot be accommodated by a standard sailing;

extra sailings from Oban to Craignure for Dangerous Goods;

vessel charters for relief purposes to local authorities providing ferry services in the Clyde & Hebrides;

vessel charters to film crews for the making of adverts or films;

special sailings to Kerrera for a fuel tanker;

special sailings to Easdale for a fuel tanker;

services in relation to children's play schemes in school holiday periods during Summer;

sailings to convey abnormal loads, contractor's plant, generators and similar items.

APPENDIX 1

Unscheduled Ferry Services referred to in paragraph 1.3 of this Schedule 3

1. Mull Rally
2. Islay Show
3. Isle of Bute Jazz Festival
4. Rothesay Regatta
5. Isle of Bute Folk Festival
6. Mountstuart Motor Classic
7. Bute Highland Games
8. Bute Motorcycle Rally
9. Cumbrae Country & Western Festival
10. Millport Illuminations
11. Tiree Wave Classic
12. Royal National Mod week
13. Heb Celt Festival
14. Livestock sailings between Oban and Tiree (usually one in August, one in October and two in February)
15. Livestock sailings from Islay to mainland (usually one in April and two between October and December)
16. Extra sailings on Largs-Cumbrae Slip to clear traffic¹ or accommodate Dangerous Goods
17. Colonsay Book Festival
18. Islay Whisky Festival
19. Tiree Music Festival

Signed for and on behalf of the Scottish
Ministers

Signed for and on behalf of Calmac
Ferries Ltd

Signature.....

Signature.....

¹ Including the provision of a second vessel on Good Friday to Easter Monday inclusive and subsequent Saturday and Sundays up to the summer peak period (when two vessels are deployed throughout to provide a 15 minute timetable), and thereafter to the end of September, and three additional Sailings on the evening of the Glasgow September Holiday to accommodate visitors attending the Illuminations and Fireworks.

Executed Contract 22.08.16

Clyde and Hebrides Ferry Services
Contract for Provision of Ferry Services
Schedule 3

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Executed Contract 22.08.16

Clyde and Hebrides Ferry Services
Contract for Provision of Ferry Services
Schedule 3

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SCHEDULE 4 - FARES

This and the following pages 167-170 comprise Schedule 4 to the foregoing Contract between the Scottish Ministers and Calmac Ferries Ltd.

1 Fare structures

- 1.1 There are three fares structures applicable to the Services: The RET (Road Equivalent Tariff) structure, the Trade Tariff (which is applicable to coaches) and the Commercial Vehicle Tariff (which is applicable to commercial vehicles and, as appropriate, loose freight). Fare Structures are shown in the schedule imported into Para 1.4 below.
- 1.2 Passenger fares will be differentiated as adult fares, child fares for children of age between 5 and 15 years inclusive, which shall be 50% of the relevant adult fare, and infants of age less than 5 years which shall be zero.
- 1.3 Individual bicycles shall be carried free of charge when accompanied by a passenger.
- 1.4 Fares will be applied for the Tariff Period of a full year. Fares for the Tariff Periods 2016/17, and 2017/18 beginning with the introduction of the summer timetables are given below:

Fares 2016/2017



Fares Summer 2016
final draft.docx

Trade Tariff Fares 2017/18

Coach Rates
2017.docx

Fares 2017/2018

To be provided in August 2016

- 1.5 For the 2016/17 Tariff Period, the Published Tariff Scheme shall be that published by Calmac Ferries Limited in accordance with the grant agreement terminating on 30 September 2016.
- 1.6 For 2017/18 and subsequent Tariff Periods the fares tariff shall be adjusted in accordance with the RET Formula for fares based on RET or Tariff Index Linked for Commercial Vehicle Rate fares structure unless modified by the Scottish Ministers or the Scottish Ministers approval to an alternative structure proposed by the Operator.

2 Transaction charges

- 2.1 Booking supplements shall not be charged for the use of debit cards. A proportional booking supplement may be levied on credit card payments to the extent that their use results in the Operator incurring costs above those that would be incurred if payment had been made with a debit card.

- 2.2 Proportional charges may be recovered from customers in relation to cancellations or amendments to bookings. The Operator must not unfairly penalise passengers if bookings are amended or cancelled for reasons outwith the passenger's control.

3 Discounts and commissions

- 3.1 The Scottish Ministers may permit by specific agreement and without providing separate funding by direct revenue replacement contribution or may direct by the issue of a variation the provision of certain discount or commission schemes. These include:

- 3.1.1 Discount for groups/ special events
- 3.1.2 Integrated ticketing discounts
- 3.1.3 Commission for commercial travel agents

- 3.2 The Scottish Ministers require the provision of certain discount classes which are listed below and termed the mandatory discounts.

- 3.2.1 SPT concessions: ferry card holders will be holders of the national entitlement card for people who live in Strathclyde and who live permanently (or own and pay council tax in respect of a 2nd home) on one of the islands covered by the scheme or live on the Cowal or Rosneath Peninsulas. For ferry card holders journeys of 10 miles or less, a basic concessionary fare of 90p single and £1.30 will apply and for journeys of more than 10 miles the concessionary fare is £1.80 single and capped at £2.60 return. <http://www.spt.co.uk/cms/wp-content/uploads/2015/01/concessionary-travel-scheme-2015.pdf>

The following mandatory discount schemes are not separately funded by direct revenue replacement contribution.

- 3.2.2 Blind persons concession: holders of a national entitlement card which has the eye symbol are entitled to concessions on ferry journeys throughout Scotland.
- 3.2.3 Discounts for specified transport workers and former workers.
- 3.2.4 A 25% discount on the non-commercial vehicle fare for a blue badge holder. [Details of this scheme are being finalised, however it will be introduced in October 2015.]

3.2.5 Traders Rebate Scheme granted to commercial vehicle operators who have a history of frequent use. It is calculated on a route by route basis for all operators.

Route:

Ardrossan / Brodick
Oban / Craignure
Kennacraig / Islay
Colintraive / Rhubodach
Berneray / Leverburgh
Ardmhor / Eriskay
Wemyss Bay / Rothesay
Largs / Cumbrae
Fishnish / Lochaline

The rebate is calculated on the basis of a numeral which relates to the operator's annual estimated future turnover and proposed number of journeys.

$$\text{Numeral} = \frac{2 \times \text{Length of Vehicle} \times (\text{No. of journeys per year})^2}{1000} \text{ or}$$

$$\text{Numeral} = \frac{\text{Turnover} / 1000}{\text{Rate per half metre}} \times \text{No. of journeys per year}$$

The numeral is being used as a first screening for the rebate rate that should be offered to commercial vehicle operators. The larger the numeral the higher the rebate rate. The rebate rates that apply vary between 2.5% and 15%.

Therefore,

If numeral basis < 500 → 0 rebate

If numeral basis < 1,250 → 2.5% rebate

If numeral basis < 2,250 → 5% rebate

If numeral basis < 3,500 → 7.5% rebate

If numeral basis < 6,000 → 10% rebate

If numeral basis < 10,000 → 12.5% rebate

If numeral basis \geq 10,000 → 15% rebate

3.3 The terms of the following mandatory discount scheme are strictly controlled by Transport Scotland and this scheme is funded by re-imbursement by the concessionary travel unit, Transport Scotland.

- 3.3.1 National entitlement card holders, who are also resident on the western isles are eligible to receive vouchers for travel as foot passengers on up to 4 single journeys each year, which may be used on the following routes:
- 3.3.2 Castlebay (Barra) - Oban
Lochboisdale (South Uist) - Oban
Lochmaddy (North Uist) - Uig
Tarbert (Harris) - Uig
Stornoway (Lewis) – Ullapool
- 3.3.3 Young scot national entitlement card holders (for 16-18 year olds and full time volunteers under the age of 26), who are resident on the Scottish islands are eligible to receive vouchers for travel as foot passengers on up to 4 single journeys each year.

Signed for and on behalf of the Scottish
Ministers

Signed for and on behalf of Calmac
Ferries Ltd

Signature.....

Signature.....

Executed Contract 22.08.16

Clyde and Hebrides Ferry Services
Contract for Provision of Ferry Services
Schedule 5

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SCHEDULE 5 – VESSELS AND PORTS

This and the following pages 173- 319 comprise Schedule 5 to the foregoing Contract between the Scottish Ministers and Calmac Ferries Ltd.

PART A: SPECIFICATION OF VESSELS

1. The Vessels comprising the Fleet Vessels including their classification, are as follows:

no.	Vessel Name	Flag	Official Number	Class per Directive	When Built	Where Built
1	Argyle	UK	912821	Class IV	2007	Gdansk
2	Bute	UK	909888	Class IV	2005	Gdansk
3	Caledonian Isles	UK	720926	Euro B	1993	Lowestoft
4	Clansman	UK	901164	Euro B	1998	Appledore
5	Coruisk	UK	906856	Euro C	2003	Appledore
6	Eigg	UK	364967	Euro C	1974	Port Glasgow
7	Hebridean Isles	UK	711814	Euro B	1985	Selby
8	Hebrides	UK	904029	Euro B	2000	Port Glasgow
9	Isle of Arran	UK	701062	Euro B	1984	Port Glasgow
10	Isle of Cumbrae	UK	376982	Euro C	1977	Troon
11	Isle of Lewis	UK	727347	Euro B	1995	Port Glasgow
12	Isle of Mull	UK	711859	Euro B	1988	Port Glasgow
13	Loch Alainn	UK	900311	Euro C	1997	Buckie
14	Loch Bhrusda	UK	728822	Euro C	1996	Bromborough
15	Loch Buie	UK	720898	Euro C	1992	St Monans
16	Loch Dunvegan	UK	711909	Class V	1991	Port Glasgow
17	Loch Fyne	UK	720379	Euro C	1991	Port Glasgow
18	Loch Linnhe	UK	711828	Euro C	1986	Hessle

19	Loch Portain	UK	906672	Euro B	2003	Bromborough
20	Loch Ranza	UK	711837	Euro C	1987	Hessle
21	Loch Riddon	UK	711834	Euro C	1986	Hessle
22	Loch Shira	UK	912538	Class V	2007	Port Glasgow
23	Loch Striven	UK	711824	Euro C	1986	Hessle
24	Loch Tarbert	UK	720900	Euro C	1992	St Monans
25	Lochnevis	UK	903386	Euro B	2000	Troon
26	Lord of the Isles	UK	711885	Euro B	1989	Port Glasgow
27	Raasay	UK	365005	Euro C	1976	Port Glasgow
28	Finlaggan	UK	917348	Euro B	2011	Gdansk
29	Hallaig	UK	919377	Euro C	2013	Port Glasgow
30	Lochinvar	UK	919748	Euro C	2014	Port Glasgow
	Loch Seaforth	UK	919766	Euro B	2014	Flensburg

2. The following vessels are on order and will require to be included as Fleet Vessels when available for delivery.

31	TBN#1 (third hybrid) Under construction	UK	TBA	Euro C	2016	Port Glasgow
32	TBN#2 (LNG dual fuel) Under construction	UK	TBA	Euro B	2017	TBA
33	TBN#3 (LNG dual fuel) Under construction	UK	TBA	Euro B	2018	TBA

3. The Operator shall deploy the Fleet Vessels to provide the services as required by Clause 6.1, and without prejudice to that obligation undertakes:

1.3.1 Fleet Vessels (Deployment)

Service offerings and contractual undertakings

We have proposed a deployment plan that makes the most effective use of the fleet and delivers the greatest benefit to our communities by considering capacity requirements, facilities, speed and reliability.

It also takes into account the scheduled maintenance programme and the various ways that we substitute vessels as a result of either scheduled or unscheduled maintenance.

The vessel deployment plan will be formally reviewed and approved annually by our Head of Service Delivery Planning.

The plan will be reviewed at the start of the Contract and thereafter at management review meetings. If changes are required, a formal review will be initiated and the plan will be revised as necessary and reissued.

a) Service route for summer and winter timetables

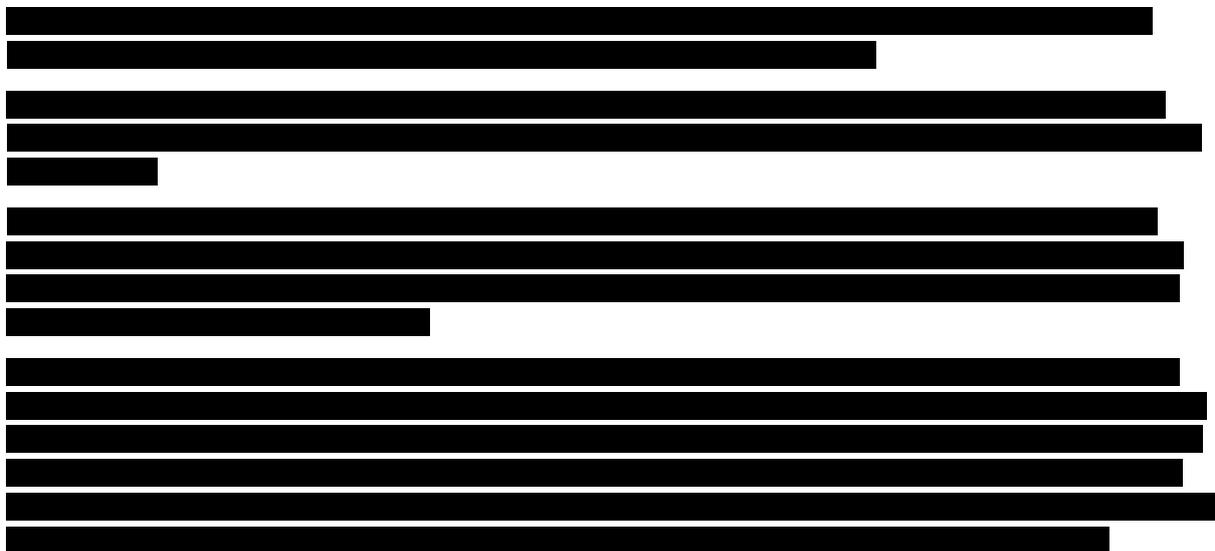
CFL's approach to fleet vessel deployment is based on considerable expertise and experience. Our detailed knowledge of the vessels' compatibility with ports and passages within the network enables us to deliver the Service in compliance with summer and winter timetables. Thus we are able to effectively programme scheduled maintenance and to manage the use of substitute vessels during those periods of scheduled and unscheduled maintenance.

Proposed vessel deployment - summer and winter timetable

Our plans for fleet deployment, based on the Initial Timetable in the Invitation to Tender, are shown in Table 1.3.1 (i). In constructing this we have used the analysis set out above to deploy the vessels in the optimal manner which supports a safe and reliable service which fully meets the Initial Timetable. Alignment with customer demand for the Service is also an important factor and is reflected in our deployment plan.

All sailings as set out in the Initial Timetable have a vessel assigned to them.

Vessels shown in Table 1.3.1 (i) above as being 'Available for Relief' are the fleet vessels which are scheduled for planned periods of unavailability. Other vessels may be used in a relief capacity for unscheduled unavailability events.



The planning team will be responsible for the measurement and effectiveness of all vessel deployment plans, including the development, review and sign off. They will also be responsible for working closely with CMAL and Transport Scotland to develop vessel deployment plans for all new vessels.

A programme of scheduled unavailability for the CHFS vessels will be produced by the [redacted] with the overall responsibility for the plan residing with the Director, Service Delivery. This multifunctional approach reinforces that every aspect of the plan is considered whilst ultimate responsibility is clear to all. In this way a practical, deliverable and optimal plan is delivered every year.

Demand forecasts will be kept up to date and, combined with local intelligence garnered from our frontline operational staff, will highlight at an early stage changes to deployment which may be required as a result of a change in circumstances.

New Vessels Yet to be Introduced – Proposed Summer and Winter Deployment

The Contract lists amongst the Fleet Vessels three new vessels which are currently under construction. As requested in Tender Bulletin 5.05 and based on the forward information available on the CMAL website (<http://www.cmassets.co.uk/dual-fuel-ferry-presentation/> and at <http://www.cmassets.co.uk/third-hybrid-ferry-launches-on-the-clyde/>) we have set out below our intentions for the initial deployment of the new vessels.

As the new vessels are 'versatile' members of the CHFS fleet their deployment will be kept under review with future deployment based on service on the routes which will provide the greatest benefits.

In conjunction with Transport Scotland and CMAL we will keep under review the number of vessels in the CHFS fleet during the Contract. This will include an appraisal of where 'surplus' vessels may be best deployed should Transport Scotland wish this analysis.

For the purpose of this submission our deployment plan reflects the Initial Timetable only. It does not reflect the published enhancements to the summer and winter timetables which have been made since the Initial Timetable. For vessel deployment we will adopt the same

rigorous approach (including the vessels yet to be delivered) as we have done for the Initial Timetable.

[REDACTED]

b) Scheduled maintenance programmes

Scheduled maintenance programme by vessel

The scheduled annual maintenance dates (as dictated by Class and MCA certificate renewals / anniversaries) for the three categories of vessel are as shown in Figure 1.3.1 (e). The periods for which the vessels are scheduled to be unavailable are shown by the blue blocks on the chart.

The dates shown are identical to the current scheduled maintenance programme as the dates are largely set by Lloyds and MCA. Whilst it is possible to change a vessel's anniversary date (if there is good reason), this is limited to a once in a lifetime adjustment.

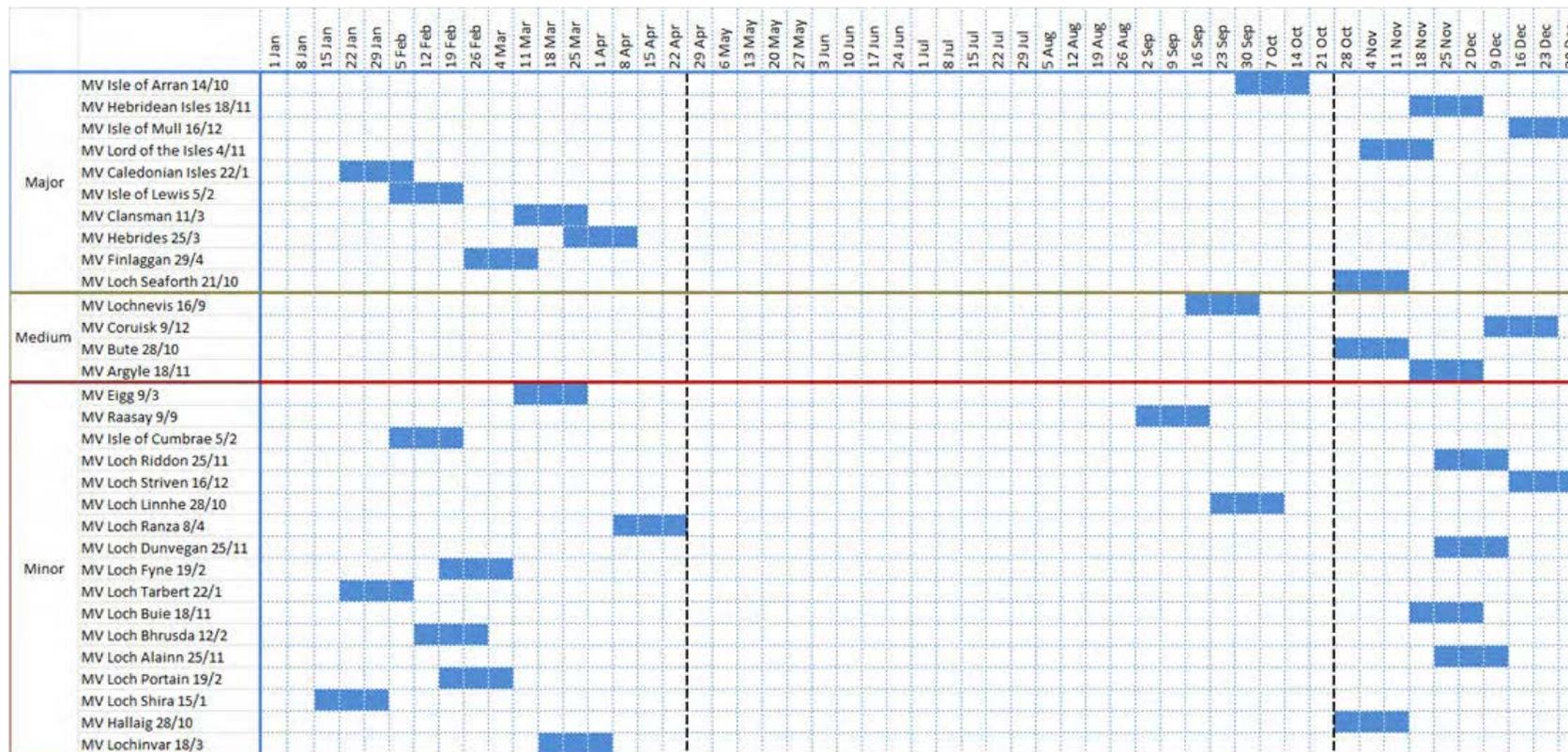


Figure 1.3.1 (e) Scheduled annual maintenance periods (maximum duration) for each vessel – new Contract.

[REDACTED]

This programme will be initiated for the first year of the new Contract, then estimated across the duration of the Contract for each vessel. The outcome will be a rolling programme of out of service dates that forms a baseline for all dependent departments to reference.

Contingency plans will be developed by the planning team, to cover overrunning maintenance events, both for vessels and ports.

We will develop measures to minimise over-running maintenance events through better planning of annual overhauls and a robust preventative maintenance programme.

We will increase vessel availability through revisions to our proactive approach to scheduled maintenance and the plan for scheduled unavailability. Increased availability of service vessels (i.e. not in lay-up) will enhance reliability of service by allowing the time permitted for preventative maintenance 'stand-downs' to be increased. This approach will also reduce the impact of overrunning annual overhauls. In recent years overruns have resulted in a reduced capacity provision during the Easter holiday period.

Preventative maintenance

Greater use of preventative maintenance will result in less maintenance being required when vessels undergo annual scheduled survey / maintenance. In addition to this, periods of scheduled unavailability will, where possible, be reduced by not having to dry-dock every vessel every year, leading to more vessel 'up-time'.

We will use In-Water Survey periods (for vessels which are up to 20 years old) to significantly reduce periods out of service. We will also standardise lifesaving apparatus across the fleet, where possible, to enable the engineers to become familiar with equipment and improve maintenance performance.

This will result in a greater consistency and reliability of service for users and at a reduced cost to Transport Scotland. Any changes we make to the deployment of fleet vessels in association with our scheduled maintenance programme will not diminish the Services.

MES testing

We will investigate and appraise the logistics and cost benefit of purchasing additional MES equipment to allow the statutory test deployment of an MES to be standard by wet testing an installed MES unit, then immediately changing it out for a tested and certificated dry unit which will allow the vessel to return to service much sooner. The wet MES unit will be dried and re-packed for use on another vessel or held in storage until required.

Dry-dock management impact on timetabled service

[REDACTED] will plan and provide a greater level of service consistency across the whole of the summer timetable period by not reducing services for scheduled unavailability events.

[REDACTED], will plan to contain all dry-dockings and vessel surveys to the winter period (excepting the vessels which must go to dock during the summer period). This will be subject to the vessels' certification expiry dates, availability of dry docks and suitable survey berths.

In-Water surveys

We have undertaken an investigation and appraised the logistics, class and type of vessel and identified docks for a programme of In-Water Surveys. This programme will support our scheduled maintenance programme and vessel deployment plans. The final list proposed for In-Water Survey is:

- » MV Coruisk
- » MV Bute
- » MV Argyle
- » MV Finlaggan
- » MV Loch Seaforth

The benefit of In-Water Surveys, as far as vessel deployment is concerned, is a shorter period in which the vessel is out of service and an overall less complex annual docking schedule for the fleet. The procurement of additional MES systems is a pre-requisite if a reduction in the out-of-service periods is to be reduced.

Use our engagement processes to increase community satisfaction and engagement, particularly in the area of vessel deployment and timetables.

This will be driven by our Director of Community and Stakeholder Engagement, [REDACTED]

[REDACTED] – collectively responsible for communicating on matters of vessel deployment to our communities and stakeholders.

Our approach to community engagement is based on three principles:

- Inform: Providing appropriate information about services and decisions that might affect or be of interest to you
- Engage: Providing opportunities for you to have your say about decisions, services and plans through engagement or consultation
- Involve: Providing opportunities to get involved, over above informing, engaging and consulting about decisions and plans for the delivery of the services

Community engagement is fundamental to fulfilling our strategic vision of delivering community satisfaction, sustainability and social value, while driving customer growth through service excellence, effective and consistent engagement.

[REDACTED]

Publish timetables earlier

We will reduce the latency of the timetable publication that is dependent on out of service periods or alternative vessel deployment plans. This will have an immediate benefit to the customer in terms of the reservations system being loaded with the correct vessel deployment and capacities for the correct timetables.

will determine short-medium vessel deployment at least 24 months in advance, and in an overall long term plan throughout the duration of the Contract.

Enhanced contingency plans

The Director of Service Delivery, supported by the Head of Marine, Head of Harbours, Head of Operational Planning, Vessel Operations Manager and Transport Integration Manager, will use the information held on how every vessel interfaces in each port location.

This information will be enhanced by the dynamic Ports of Refuge List, as detailed in section 1.3.6 and continue to develop the master data of what is possible now and what may be possible with some modifications (minor or otherwise). We will use this to inform our contingency plan for vessel deployment.

This approach will reduce response times in the event that a vessel has unscheduled unavailability and where a substitute vessel is required to provide relief.

The contingency plan will contain the information to support decision making through the knowledge of vessels in close proximity that avoids lengthy repositioning of vessels from another part of the network. The benefits will also be realisable when ports are unavailable for any reason (e.g. weather, technical failures, seaway obstructions or road closures affecting port access).

c) Proposals for use as a substitute vessel to cover for other service routes as a result of scheduled and unscheduled maintenance of other Fleet Vessels

Substitute vessels and cover for other Service routes

We will retain our flexible approach to vessel deployment in the event of scheduled and unscheduled unavailability. Tables 1.3.1 (j) to (o) in 1.3.1 Appendix A show the full range of substitutions available to us across the fleet

The Initial Timetable results in four vessels being laid-up or partly laid-up across the year. In the event of a prolonged unscheduled unavailability event and / or if required by Transport Scotland, the deployment of these vessels will be considered in conjunction with Transport Scotland.

When we deploy a substitute vessel during planned and unplanned events we will appraise the options available (which may include vessels outwith the CHFS fleet) and deploy/cascade a vessel(s) to retain as near an equivalent level of service as resources permit. During unplanned unavailability the requirement to reinstate a service as quickly as possible will be a primary consideration.

Implement a strategic lay-up plan

Vessels are put into various types of lay-up when they are not needed. We will create a strategic approach to lay-up for the Service.

will develop an optimal lay-up plan which will drive efficiency and reduce network-wide response times when mobilisation is required. The optimum lay-up plan will be in place by March 2016.

This plan will ensure that all the relevant factors are considered and that we will have the right vessel in the right place for most contingency needs.

liaising with MCA to gain the necessary approvals and permissions. These will determine the scope of deployment for all fleet vessels if there is a change to certification levels or operating areas.

is also responsible for liaising with port owners / operators to provide the necessary information to these stakeholders in case there are specific changes or permissions required.

Both of these factors will determine the scope of deployment of the fleet and clearly identify the full range of substitution options. This will be of most value during periods of scheduled and unscheduled maintenance.

Service offering and contractual undertakings milestones

Contractual undertakings	Milestone date
Use In-Water Survey periods to reduce out of service periods	End CY1
Commence Standardisation of lifesaving apparatus across the fleet where possible	Commencement Date
Create and develop strategic approach to lay-ups and individual optimal lay-up plans	Mobilisation

1.3.1 Appendix A – Current vessel deployment and potential for use as a substitute vessel

Table 1.3.1(j) Major Vessels - summer deployment and potential for use as a substitute vessel

	[Redacted]											[Redacted]		
[Redacted]														
[Redacted]														
[Redacted]														
[Redacted]														
[Redacted]														
[Redacted]														
[Redacted]														
[Redacted]														
[Redacted]														
[Redacted]														
[Redacted]														



Table 1.3.1(n) Minor Vessels - summer deployment and potential for use as a substitute vessel.

The table consists of a grid with approximately 16 columns and 20 rows. The cells are filled with different colors: black, grey, light blue, and dark blue. There are several vertical black bars that span multiple rows, likely representing redactions. Below the main grid, there are several horizontal bars in black, grey, and blue, also partially redacted.

4. The Operator undertakes to provide investment in the Fleet vessels and proposes:

1.3.2 Fleet Vessels (Investment)

Service Offerings and Contractual Undertakings

CalMac Ferries Limited (CFL) will deliver an improved customer experience that will benefit local residents as well as tourists through new catering and entertainment services on-board as well as providing features that support the Government's ambitions on emissions, health and an inclusive society.

We will provide information and services on-board that will make using public transport more attractive, encourage a healthy lifestyle through supporting active travel and most importantly by delivering facilities that are accessible and inclusive to as many people as possible.

Our proposal is guided by our brand promise of 'Helping you get there' and informed by customer insight to invest selectively in the improvement of the customer on-board environment.

Investment in the vessels is an intrinsic element of our broader strategy and, therefore, aligns and reinforces our commitments to the community and our customers.

1.3.2 Appendix A describes the review findings, 1.3.2 Appendix B shows an example of a vessel investment spreadsheet and 1.3.2 Appendix C lists the nature of vessel improvements funded as part of our solution.

Because all of our investments will either be undertaken while the vessels are out of service for routine maintenance or will be undertaken while the vessel is in service, we do not believe that there will be material impact on timetable service delivery and therefore no availability consequences when implementing the investment.

The following three vessels [REDACTED] will therefore have no investment above minimum routine maintenance required by CMAL:

- » MV Eigg
- » MV Isle of Cumbrae
- » MV Raasay

[REDACTED]
investment in facilities on the MV Isle of Lewis (that would be typical of a large vessel of the fleet) has not been allocated as part of our solution.

1) Value of investment

We will invest a minimum of £4,260,000 in vessel facilities over the first three years of the Contract to improve the quality and consistency of the customer experience across all of our vessels. This spending is focused on Contract Years 1 and 2 (CY1 and CY2) and will deliver approximately 50% in CY1, 95% by CY2 and a residual spend of 5% in CY3 to close the improvement programme and pick up late running projects.

Our extensive auditing of vessels has resulted in a list of required accessibility and inclusion improvements for the vessels, which have been prioritised with the access consultants. We believe certain improvements to current vessel facilities lie firmly with the owner for remediation or implementation. We have funded in our solution the features that we believe lie with the Operator for resolution.

We propose to build a plan of works with CMAL covering improvements to customer facilities on vessels that could fully utilise all available monies from the Ferry Access Fund (FAF), irrespective of which 'owner' is responsible for delivering the improvement.

We have not assumed any access to the FAF in budgeting the improvements that we propose, but will seek third party funding from this and other sources where available to enable us to deliver an extended or accelerate programme.

We have not assumed that the FAF will continue to be provided by Transport Scotland through the course of the Contract in our funding plans, but welcome its contribution to accessibility improvements, when available.

2) Purpose of investment

Overall plan

We will deliver an exemplary lifeline services solution where our spending proposals reflect the priorities of Government and Transport Scotland around social resilience and inclusion, health and environment as well as customers and communities. These priorities influence how we prioritise the proposed projects. Our priorities are primarily about providing an accessible and inclusive service that removes barriers to travel for customers from the communities that we support, and to encourage the less able to travel to the Scottish west coast.

Our customer facilities plan will be guided by the application of our brand promise ('helping you get there') and our customer principles ('easy', 'friendly', 'value', 'responsible' and 'personal').

The range of initiatives will appeal and add value, for example both frequent and irregular customers will benefit from access to free Wi-Fi and the provision of improved travel information.

Customers travelling on longer journeys will greatly benefit from improved connectivity and Wi-Fi, enabling them to keep in touch with family, friends and colleagues.

We have classified our investment in customer facing areas into the following four topics:

1) *Implementing recommendations from our Inclusive Design Review,* [REDACTED]

- » To improve the accessibility and inclusiveness of the vessels to all customer groups with our main investment focusing on improvements to wayfinding and signage, [REDACTED]
- » Adding adjustable height tables for wheelchair access including the removal of barriers to access such as fixed seating and clear signage of their location, [REDACTED]
- » To complete IDRs on a number of the smaller vessels that were not covered in the first phase in 2015. [REDACTED]



2) A customer area refresh, [REDACTED]

- » Covering projects that deliver a consistent and modern customer environment through replacement of carpets, furnishings and fittings, and improvements to luggage storage

3) Support of other sections of the overall solution such as catering, retail, entertainment and the Marketing Plan, with a spend of [REDACTED]

- » Upgrade and modernise hot counters and customer facing outlets helping to reduce queuing through improved throughput of customers, [REDACTED]
- » Introducing catering trolleys providing an 'at seat' service to those customers that have difficulty accessing the restaurant areas, or who are restricted from entry because they are travelling with a pet, [REDACTED]
- » Installing digital menus for restaurants to provide a modern and accessible display to promote our catering offerings [REDACTED]
- » Introducing and upgrading vending machines to provide catering in areas of vessels such as observation lounges, [REDACTED]
- » Improving retail outlets, [REDACTED]
- » Shop rationalisation to make better use of on-board space, [REDACTED]
- » Introducing craft display cabinets to promote artisan and local heritage products, [REDACTED]
- » Introducing CalMac TV delivering service and destination information, entertainment, connecting services and sponsored marketing, including internet terminals on selected vessels, [REDACTED]
- » Improving game zones to modernise machines and be more attractive to all customers, [REDACTED]
- » Upgrade kids clubs to modernise the facilities and provide more up-to-date entertainment, [REDACTED]
- » Improving bicycle facilities to create consistency of service and support the Government's active travel agenda, [REDACTED]

4) Technical upgrades to support the first three themes and to improve on-going maintenance costs, with a spend of [REDACTED]

- » Upgrading and expanding power cabling and the installation of data cabling [REDACTED]
- » Purchase of stand-by Marine Evacuation Systems to allow in-service replacement of a back up system [REDACTED]

The vessel by vessel proposal contained in 1.3.2 Appendix C, shows the investment by vessels for these topics.

We will work closely with CMAL to ensure that all new vessels commissioned are informed by customer insight and are specified to an agreed and consistent customer proposition. New vessels represent the best opportunity to introduce scope for a consistent proposition that delivers on our desired outcomes.

The use of pilots for the introduction of new initiatives, as appropriate, will enable us to build findings into fully validated roll-out and safeguard investment and return.

We will track our plan against customer satisfaction measures from our on-going customer satisfaction survey developed by Transport Focus and undertake routine mystery shopper activity to test all customer segment requirements e.g. mobility constrained, able bodied, travellers with pets and families with young children.

This approach uses well-established principles of brand management that are used throughout the retail, travel and leisure business world:

- » Consistency of presentation
- » Consistency of environment and experience
- » Consistency of customer management

Implementing recommendations from our Inclusive Design Review

A total [REDACTED] as been allocated to resolving issues uncovered on vessels during our IDR activity; this is to cover features that we consider to be the responsibility of the Service Operator.

Examples of the projects that we have funded as part of our solution can be found in 1.3.2 Appendix B as well as IDR recommendations that remain unfunded.

CFL will implement recommendations that involve improvements to signage and wayfinding to, from and on the car decks, develop policies and upgrade on-board signage and wayfinding including the removal and replacement of homemade signage.

We will invest in improvements to the application of colour and luminance contrast to assist wayfinding and navigation for people with visual impairment.

CFL will also request the upgrade the layout of accessible toilets to meet compliance to building regulations where possible by CMAL at the Contract Award, but we do not expect to be able to increase the physical size of rooms due to the major works that this would require.

This pragmatic approach to accessible toilet upgrade is in line with the recommendations of the surveyors who performed our Inclusive Design Review.

Table 1.3.2 (b) below illustrates the findings from the IDR for the MV Caledonian Isles, on the left side it shows recommendations for improvement that remain unfunded as part of our service offering, and on the right it details the projects that we have funded as part of our proposal.

Table 1.3.2 (b) details of recommendations for improvement for the MV Caledonian Isles from our Inclusive Design Review.

[REDACTED]	[REDACTED]	Location	CFL funded
[REDACTED]	[REDACTED]	Car Deck	Signage to assist with Clearing the Deck.
[REDACTED]	[REDACTED]		
[REDACTED]	[REDACTED]		
[REDACTED]	[REDACTED]	Signage	Policy and upgrade to provide consistent format.
[REDACTED]	[REDACTED]		
[REDACTED]	[REDACTED]	General application of colour and luminance contrast	To assist with way finding and navigation for people with a visual impairment.

		Location	CFL funded
[REDACTED]	[REDACTED]	External stairs	Handrails do not incorporate colour and luminance contrast.
[REDACTED]	[REDACTED]		

Funding of [REDACTED] has been allocated to develop an overarching signage and way finding strategy in response to issues that were identified by our Inclusive Design Reviews (IDRs).

Funding of [REDACTED] has been secured to complete the IDRs for the smaller vessels that were not performed as part of the work in the summer of 2015. These remaining reviews will be completed in CY1.

Similarly [REDACTED] has been allocated to perform a network wide Inclusive Design Review in CY5. This review will be presented to Transport Scotland as part of the standard Contract year-end review and will show the progress we have made to improve accessibility and inclusion in the first half of the Contract.

To further improve accessibility for customers travelling with a wheel chair we have secured funding of [REDACTED] to install height adjustable tables across the large vessel fleet.



Figure 1.3.2 (v) Height adjustable tables as present on the MV Loch Seaforth will be fitted to improve accessibility for wheel chair users

Customer area refresh

We have allocated funding of [REDACTED] to a customer area refresh and modernisation across the fleet. We will create a single and standard modern design for the look and feel of customer areas on-board, including soft furnishings, restaurant, gaming area, toilets, device charging outlets and signage. A priority will be on improving the catering areas, refreshing the food counters and tables. All soft furnishings will comply with guidelines published by the International Maritime Organisation in order to meet Chapter II-2 of the International Convention for the Safety of Life at Sea, 1974 (SOLAS 1974).

Funding of [REDACTED] has been allocated for the development of a standardised design, specialist agencies will be briefed in 2016 and consumer research will be commissioned to help inform the decision, with agreement on the preferred approach by the start of the annual maintenance programme.

Our Procurement team will then tender the components of the new design, to secure the best price based on volume and contract exclusivity, with consideration of environmentally friendly products and whole life product costs. Local companies will be encouraged to tender. We will also promote the use of reserved contracts for Supported Businesses.

The new design will be introduced on new vessels and also be applied progressively to existing vessels in line with our timing proposal. This will be measured against customer satisfaction and reduction in on-going maintenance expenditure.

Benefits of this approach:

- » Consistency of customer environment and the potential to lower maintenance costs
- » Bringing to life the customer principles, such as making it 'easy' for customers on-board with clear signage and a level of environment where passengers feel that they are getting 'value' for their fare
- » Business opportunities for both local SMEs through our support of the Scottish Government's Supply Charter and for Supported Businesses, with which we have facilitated through our procurement team for ten years
- » We will take the opportunity to source environmentally friendly products

This is a standard approach in branded environments within retail and transport sectors. All newly commissioned vessels would be built according to a standard specification and other vessels migrated to achieve this standard, delivering management and cost efficiencies.

Standard design for vessel equipment, fixtures and fittings

We will work collaboratively with CMAL to explore the potential for a standard range of equipment to be fitted to the fleet of vessels, with the greatest opportunity being when new vessels are specified or existing ones modified. This will have substantial benefits in reducing the cost of maintenance and stock holding of unique spare parts for individual vessels.

Support of other sections of the overall solution

Upgrade and modernise hot counters and customer facing outlets

We will continue to build on the success of our on-board catering proposition through the development of the Mariners restaurant brand. We will develop a new design specification in 2016 to be used on all vessel refurbishments and replacements (between 2016-2020). This will encapsulate the 'taste', 'quality' and 'value' of the local produce we promote and the honest, rustic nature of the islands and mainland coastal communities we proudly service. We have allocated ██████████ across nine vessels to improve customer facing hot counters.

Introducing catering trolleys providing an 'at seat' service

We will invest ██████████ in catering trolleys that will be used to deliver an 'at seat' catering service to customers. This will benefit less mobile customers as well as those travelling with pets, who cannot access the restaurant.

Installing digital menus for restaurants

Digital menu screens with allocated funding of ██████████ will be installed in 2016 and proactive on-board communications will support the awareness and delivery of a memorable catering experience.

Introducing and upgrading vending machines

The provision of vending machines will be expanded to three new vessels, these are:

- » MV Lochinvar
- » MV Isle of Mull (upstairs)

» MV Loch Seaforth (Observation lounge)

In addition, we will replace and upgrade the vending machine on the MV Caledonian Isles and the MV Loch Portain.

Improving retail outlets, including the rationalisation of outlets and the introduction of craft display cabinets

In line with our commitment to encourage the participation of SMEs including local businesses we will invest [REDACTED] in new retail display cabinets to promote local artisan craft products and producers. These currently exist on the MV Isle of Lewis and the MV Lochnevis and have proven to promote local goods effectively and are popular with customers.

Retail outlets will benefit from [REDACTED] allocated to a general upgrade of the facilities and a refresh of the products offered, plus there is funding of [REDACTED] to close merge outlets where products can be sold through other on-board outlets with no detriment to customers, and the space utilised for other purposes, such as increased luggage space.

Introducing CalMac TV, Wi-Fi and internet terminals

We will roll out free access to Wi-Fi on-board vessels across the large, medium and hybrid fleet by the end of 2016. This will be measured by connectivity performance and customer satisfaction. We will communicate the facility in customer communications both on-board and across other channels (at port, on the web site, in social media and e-mails). We will



demonstrate 'responsible' stewardship with content filtering and a fair use policy.

We have already installed some digital screens on MVs Finlaggan and Loch Seaforth and have purchased a digital content management system from Navaho.

During CY1 there will be a pilot study of CalMac TV on these vessels to test both operator (travel, health and safety information and promotions) and community (events and festivals) content, along with the sale of advertising space.

In terms of paid advertising, we will offer cost effective packages to local businesses, as well as having the ambition to attract higher yielding national and regional brand advertisers through the quality of the presentation and the audience reach we can provide. This trial will be completed by the end of CY1 and will allow us to have tested for the optimal blend of content for the full product roll-out in CY2.

Our trial of CalMac TV will be accompanied by a full audit to be undertaken by a specialist company to identify the optimum locations for digital screens by vessel (and port), the correct size and the optimum quantity. The digital screens are flexible in content management and will be able to cope with vessels operating across multiple routes.

We have allocated [REDACTED] to deliver CalMac TV on-board 24 vessels through CY1 and CY2.

An additional feature on five major vessels will be a free to use internet terminal, these are:

- » MV Loch Seaforth
- » MV Clansman
- » MV Isle of Mull

- » MV Caledonian Isles
- » MV Finlaggan

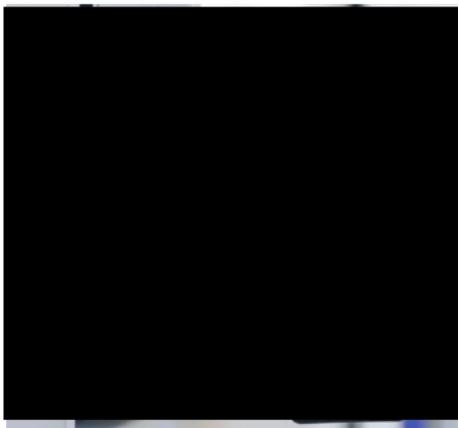
Improving game zones, modernising kids clubs and offering device charging stations

There will be a [REDACTED] refreshment of children's entertainment on selected major vessels, with enhanced offerings for different age groups: extending and modernising the existing Cub Club for those children up to five; and for five to teens, we will introduce interactive gaming machines (such as Xbox Towers).

We will install USB charging sockets in the customer areas, which will have negligible drain on generator capacity and will not compromise the safe power levels required for vessel equipment.

To control how power is used and to avoid mobile device charging cables creating trip hazards we will install free device charging stations. Initially we will test this solution on six major vessels with serving longer routes in CY1 and if successful roll-out across the remaining larger vessels in CY2, these are:

- » MV Clansman
- » MV Hebridean Isles
- » MV Hebrides
- » MV Finlaggan
- » MV Lord of the Isles
- » MV Loch Seaforth



Improving bicycle facilities

Funding of [REDACTED] has been allocated for the purchase of bicycle carrying trailers for the Arran Route, which will be carried by the MV Caledonian Isles and the MV Isle of Arran (Trailers are considered as port assets and are funded as part of our port investment).

We will review the results of this in CY3 to examine the potential to deploy on other routes. Further funding of [REDACTED] has been allocated to improve the consistency and appearance of bike securing facilities on vessels.

Technical upgrades to support the first three themes and to improve on-going maintenance costs

As part of our solution we will fund the upgrade and extension of the electrical wiring circuits on the vessels to support additional devices that we will install. New devices will be low consumption units where possible to avoid additional load on vessel power systems.

This low consumption policy will be further supported by the swap-out of halogen and conventional lighting to LED as part of rolling maintenance programmes.

CFL has funded and will install data cabling in vessels to support the roll-out of features such as CalMac TV and Electronic point of sale systems.

£200,000 is allocated to upgrade power and data cabling.

All work will be done in such a way as to minimise or eliminate any disruption to the Service.

We propose to supplement CMAL's plan to invest [REDACTED] in Marine Evacuation Systems subject to agreement with them, by purchasing and delivering two spare systems that can be swapped into vessels while they are in service and without disruption to timetabled sailings and provide additional resilience in the event of technical issues. We will:

- » Purchase one spare side of the Survitec Emergency Slide System (ESS) recently fitted to the MV Argyle, MV Bute and very shortly the MV Coruisk.
- » Purchase one spare side of the Survitec Short Inflation Slide (SIS) fitted on the Hybrid vessels.

Each year the Director of Service Delivery, will lead an annual review of technical facilities in line with needs and opportunities.

Benefits of this approach:

- » A long term, holistic approach will deliver best value to Transport Scotland over the life of the vessels, not merely the life of the new Contract
- » Working collaboratively with CMAL will augment and align efforts to achieve our goal of total cost of ownership minimisation

Ongoing planning

Each year the Director of Customer, Sales and Marketing, will lead an annual review to compare customer facilities with evolving customer needs and opportunities.

The Director will review customer feedback, from research, and revealed preferences from analysis of changes and customer behaviour to develop an evolutionary proposition for the future. They will begin by reviewing available customer insight and use this as the basis for a cross functional discussion and development of an updated plan.

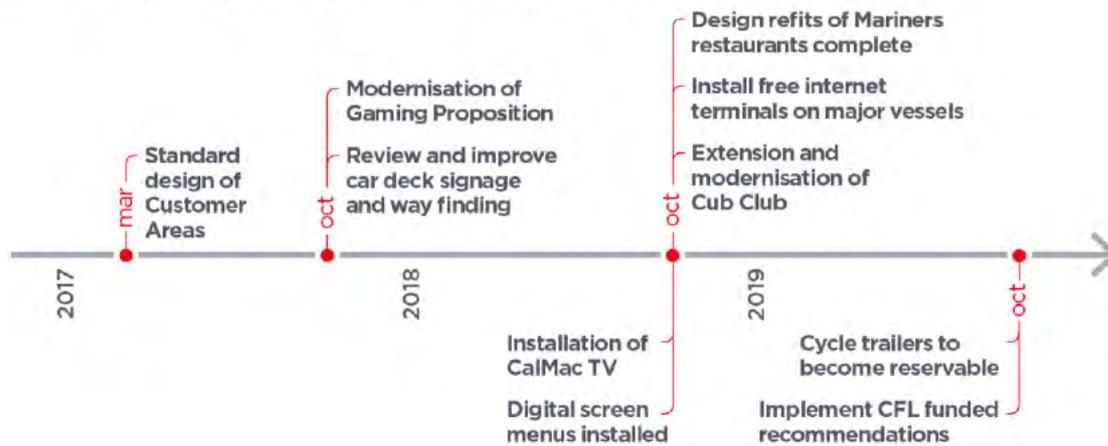
Benefits of this approach:

- » To keep facilities in line with customer needs and commercial opportunities
- » Continuing to bring the customer principles to life by maintaining their delivery over time

Resourcing and management

The Director of Customer Sales and Marketing and their team will be responsible for the development and specification of the customer propositions identified, including the briefing of relevant agencies and internal teams. [REDACTED]

Service offerings and contractual undertakings milestones



Contractual undertakings	Milestone date
Invest a minimum of £4.260 million in vessel facilities over the course of the Contract including investment in customer facilities and technology.	██████████ ██████████ ██████████
Develop and implement new designs for the restaurant, including new digital screen menus to enable promotion of different menus.	Design in mobilisation 2016. Design refits – between CY1 to end CY3. Digital screens CY1
Roll-out free access to Wi-Fi on-board vessels across the large, medium, and hybrid fleet by the end of 2016.	End CY1
Install free internet terminal(s) on five major vessels	End CY1
Conduct a pilot study of CalMac TV to test both operator (travel, health and safety information and promotions) and community (events and festivals) content, along with the sale of advertising space.	Kick off at Contract Award complete end CY1
Roll-out CalMac TV	End CY2
New standardised design concept for customer areas created	Mid CY1
Modernise the gaming proposition	End CY1
Extend and modernise the Cub Club into the kids club	End CY3
Review and improve car deck signage and way finding	End CY1
Engagement with CMAL to share vessel maintenance and upgrade plans	Ongoing

*CY – Contract Year

Motor Vessel			Recommendations identified through IDR and funded for implementation	
MV CLANSMAN			Car Deck	Signage to assist with Clearing the Deck.
			Signage	Policy and upgrade to provide consistent format.
			General application of colour and luminance contrast	To assist with way finding and navigation for people with a visual impairment.
			Carpet finish	Replace with a non-patterned type.

Motor Vessel		Recommendations identified through IDR and funded for implementation
	[REDACTED]	
	[REDACTED]	
MV FINLAGGAN	[REDACTED]	Car Deck Signage to assist with Clearing the Deck.
	[REDACTED]	Signage Policy and upgrade to provide consistent format.
	[REDACTED]	General application of colour and luminance contrast To assist with way finding and navigation for people with a visual impairment.
	[REDACTED]	

Motor Vessel			Recommendations identified through IDR and funded for implementation	
			colour and luminance contrast	navigation for people with a visual impairment.
			Steps from Car Deck to stairwell	Nosing contrast required.
			External deck support columns	Requires highlighting.
			Passenger accommodation	Some furniture not colour and luminance contrasted.
			External Stairs	Handrails do not incorporate colour and luminance contrast.
MV HEBRIDES			Car Deck	Signage to assist with Clearing the Deck.
			Stairs to passenger accommodation from Car Deck	Install colour and luminance contrast to all step nosings on the flight.
			Signage	Policy and upgrade to provide consistent format.
			General application of colour and luminance contrast	To assist with way finding and navigation for people with a visual impairment.

Motor Vessel		Recommendations identified through IDR and funded for implementation
	<p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p>	<p>Carpet Floor Finish</p> <p>Replace with a non-patterned type</p>
MV ISLE OF ARRAN	<p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p>	<p>Car Deck</p> <p>Signage to assist with Clearing the Deck.</p>
	<p>[REDACTED]</p> <p>[REDACTED]</p>	<p>Threshold upstands</p> <p>Several instances in which thresholds require improved highlighting, in particular to warn visually impaired users of their presence.</p>
	<p>[REDACTED]</p> <p>[REDACTED]</p>	<p>External stairs</p> <p>Handrails do not incorporate colour and luminance contrast.</p>
	<p>[REDACTED]</p> <p>[REDACTED]</p>	<p>Signage</p> <p>Policy and upgrade to provide consistent format.</p>
	<p>[REDACTED]</p> <p>[REDACTED]</p>	<p>General application of colour and luminance contrast</p> <p>To assist with way finding and navigation for people with a visual impairment.</p>
	<p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p>	

Motor Vessel	[Redacted]	Recommendations identified through IDR and funded for implementation
MV LORD OF THE ISLES	[Redacted]	Circulation Routes Raised thresholds present a trip or stumble hazard. If these elements are unavoidable, They should be suitably highlighted with hazard-warning colours to alert users to their presence.
	[Redacted]	Signage Policy and upgrade to provide consistent format.
[Redacted]	[Redacted]	General application of colour and luminance contrast To assist with wayfinding and navigation for people with a visual impairment.
[Redacted]	[Redacted]	External decks and stairs Install colour and luminance contrast to handrails.
[Redacted]	[Redacted]	[Redacted]

1.3.2 Appendix B
Example of a Vessel investment spreadsheet

The table area is mostly obscured by a large black redaction box. Visible elements include the column headers G, F, E, D, C, B, and A on the left side of the grid. At the bottom left corner of the grid, the text "Performance Contract" is visible.



[Redacted text block consisting of five lines of blacked-out content]

[Redacted text block consisting of four lines of blacked-out content]

1.3.2 Appendix C

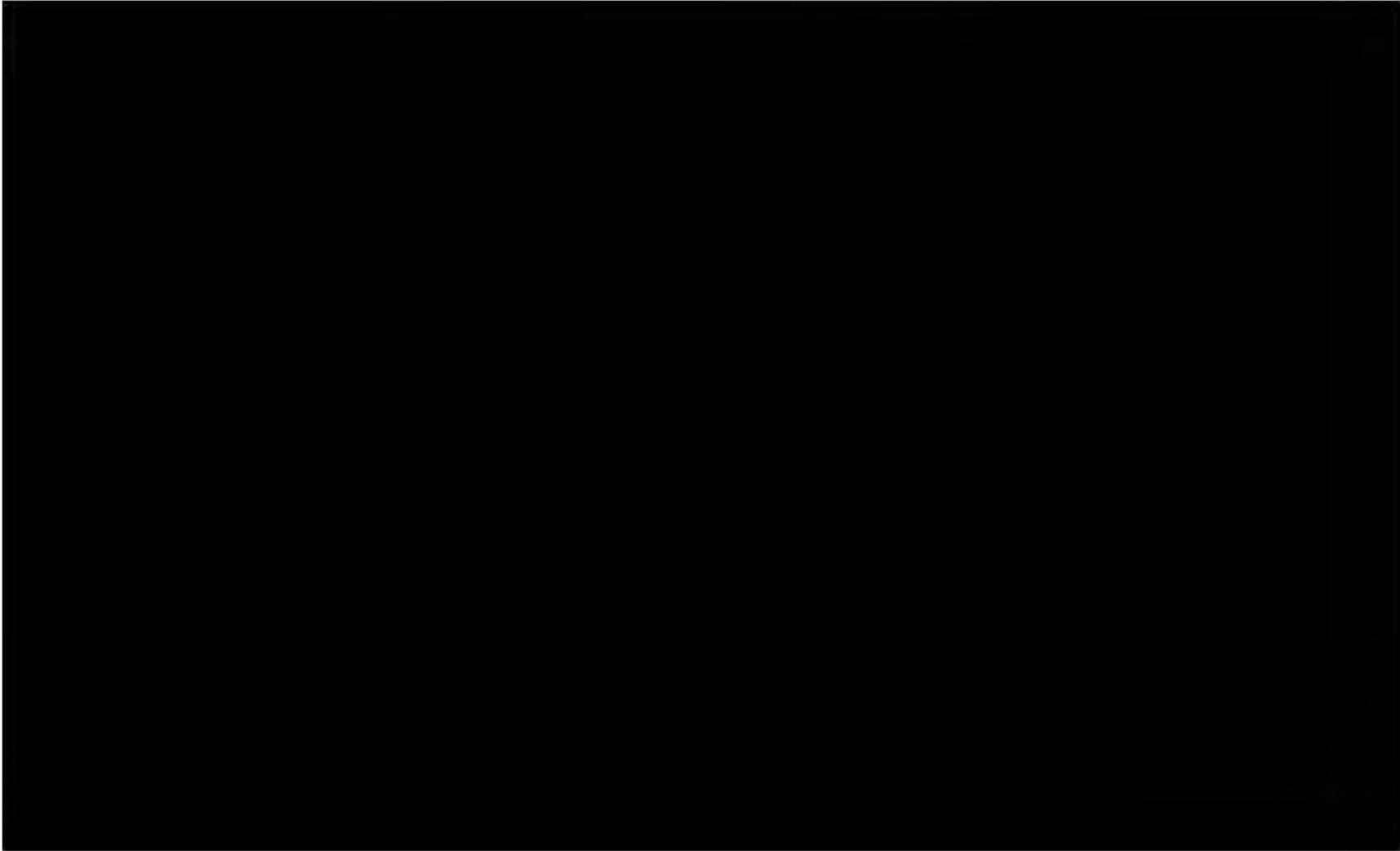
Nature of vessel improvements funded as part of our solution

The following tables show the amount and timing of our funded vessel investment plan for the first three Contract Years. We will perform an Inclusive Design Review in Contract Year five to assess our progress.

The table contains approximately 25 rows of data, each consisting of a small black square followed by a long black bar. The bars vary in length, suggesting different values for each entry. The redaction covers all text within the table cells.

Executed Contract 22.08.16

Clyde and Hebrides Ferry Services
Contract for Provision of Ferry Services
Schedule 5



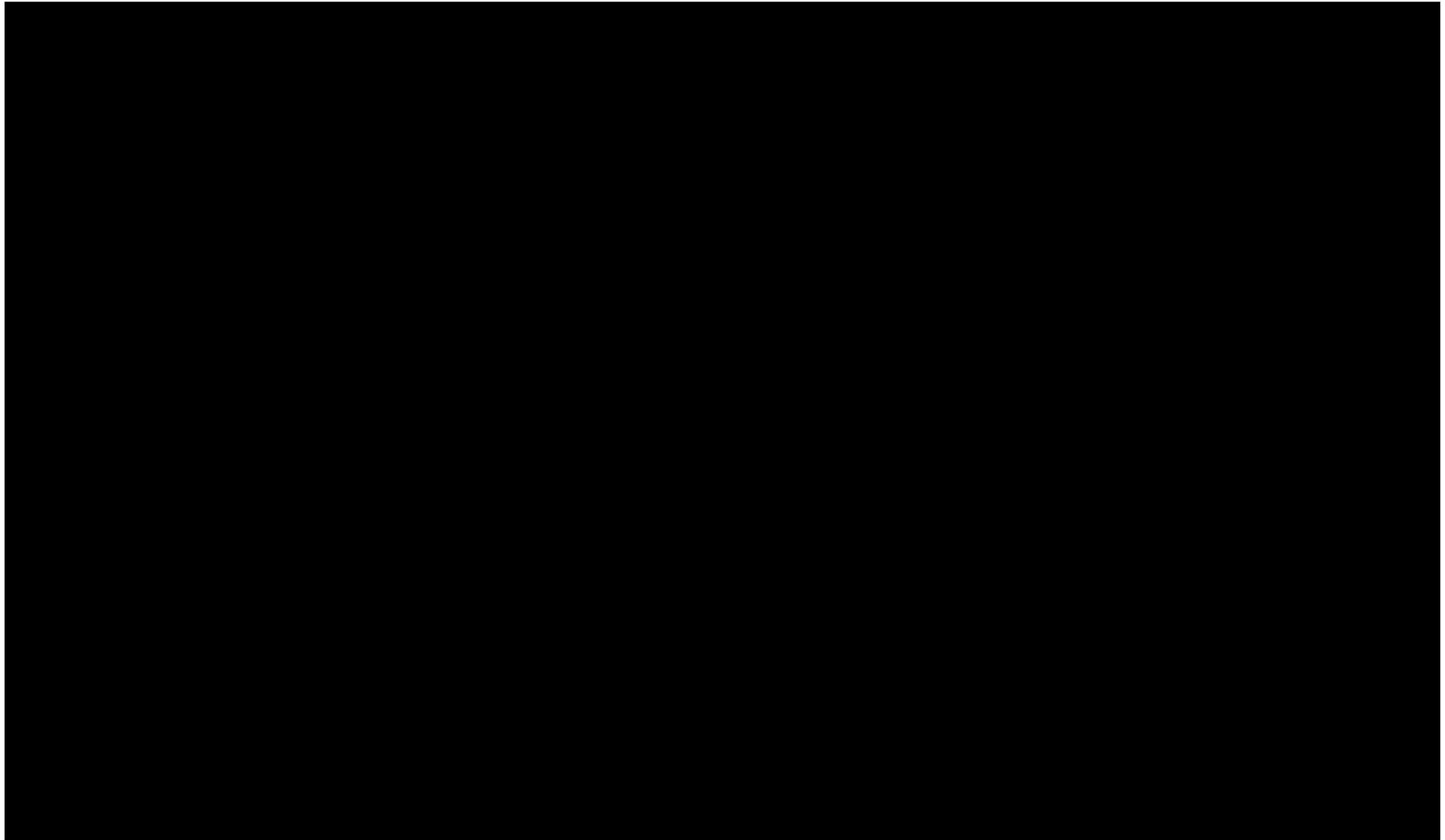
Executed Contract 22.08.16

Clyde and Hebrides Ferry Services
Contract for Provision of Ferry Services
Schedule 5



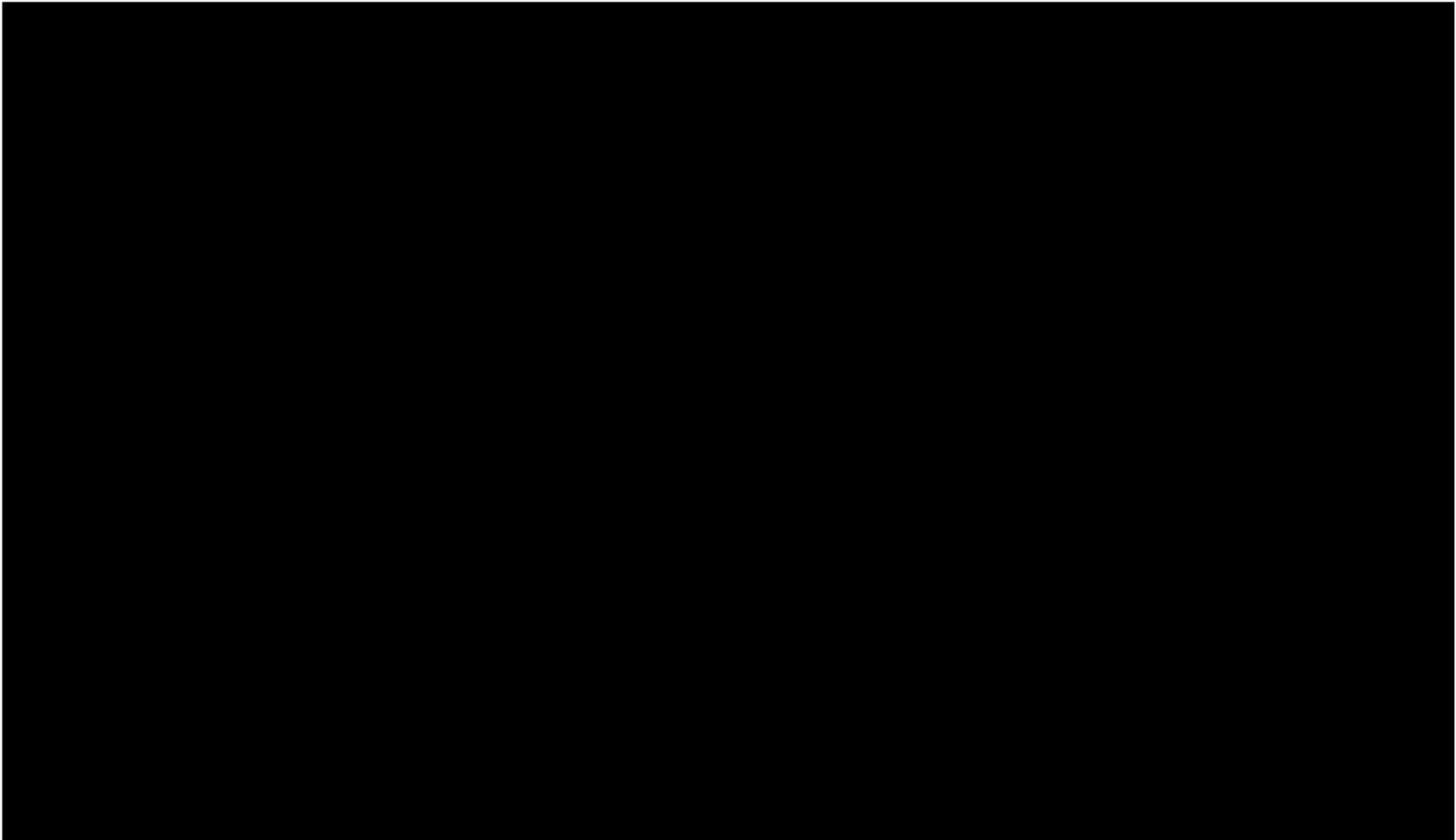
Executed Contract 22.08.16

Clyde and Hebrides Ferry Services
Contract for Provision of Ferry Services
Schedule 5



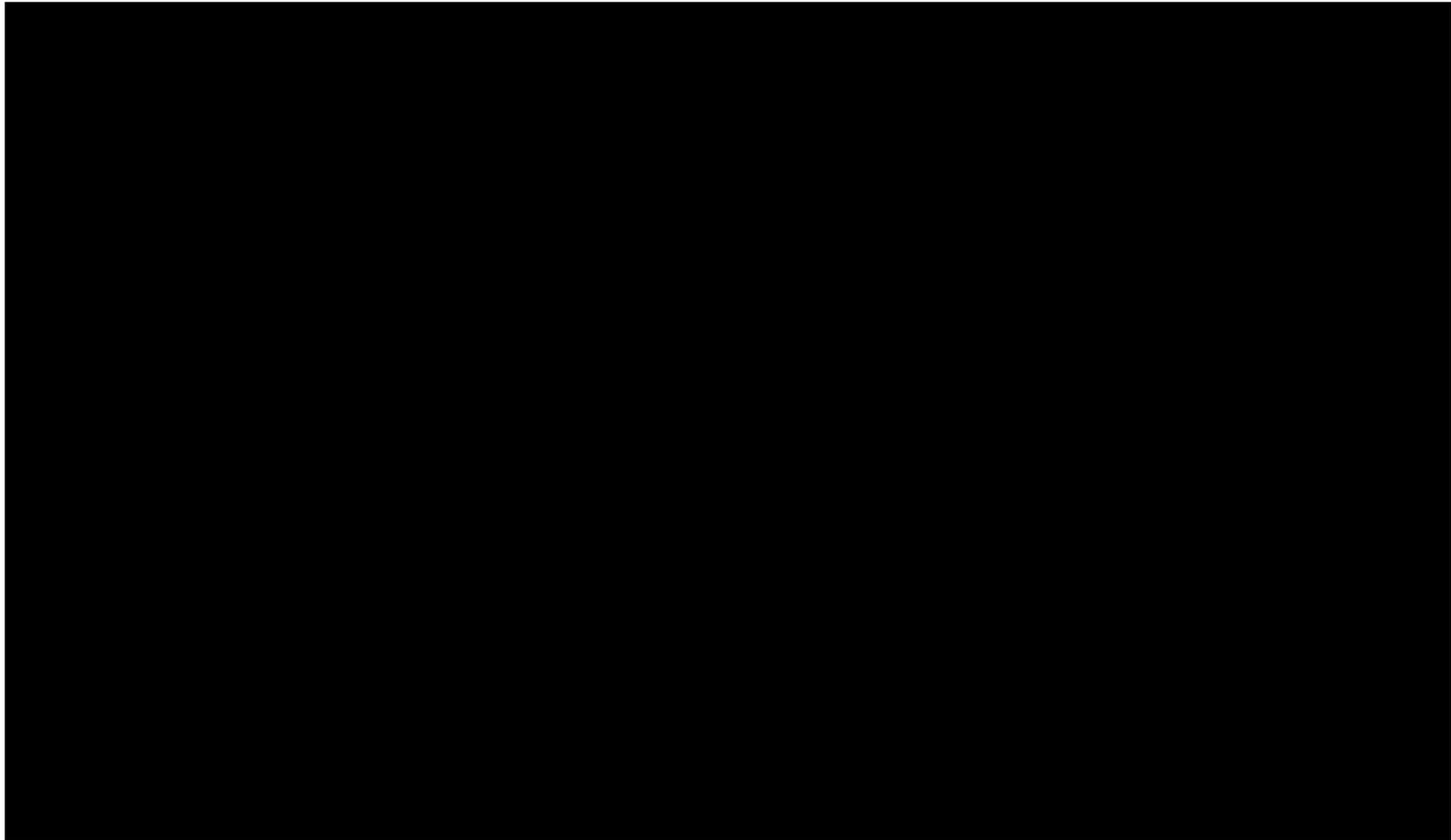
Executed Contract 22.08.16

Clyde and Hebrides Ferry Services
Contract for Provision of Ferry Services
Schedule 5



Executed Contract 22.08.16

Clyde and Hebrides Ferry Services
Contract for Provision of Ferry Services
Schedule 5



PART B: OPERATOR'S OBLIGATIONS IN RELATION TO THE VESSELS**1 Interpretation**

1.1 References herein to the Vessel apply to each and/or all of the Vessels, as appropriate. References herein to the Ship Charters apply to the Ship Charter entered into in respect of the relevant Vessel and/or to all of the Ship Charters, as appropriate.

2 Information and Compliance Undertakings

2.1 The Operator must throughout the Grant Period and so long as any obligations are owing by the Operator in terms of the Contract:

2.1.1 comply with the provisions of the Ship Charters at all times;

2.1.2 comply with the terms of the Insurances at all times;

2.1.3 ensure that at all relevant times all licences, approvals, consents and permits required under Applicable Law which are (i) required for the use and operation of the Vessel, and (ii) the absence of which would either expose the Scottish Ministers to any risk of any liability or expose the Vessel to any material risk of arrest, detention or sale, are, in each case, obtained and maintained in full force and effect;

2.1.4 furnish the Scottish Ministers promptly with all such information as they may from time to time reasonably require regarding the Vessel, her insurance, condition, maintenance, particulars of all towages and salvages; and

2.1.5 comply with all undertakings given by it in the Ship Charters as if set out in full in this Schedule.

3 Protection of Scottish Ministers' Rights

3.1 The Operator must throughout the Grant Period and so long as any obligations are owing by the Operator in terms of the Contract:

3.1.1 not sell or attempt to sell, agree to sell, transfer or otherwise dispose of or (except to avoid loss of life or personal injury) abandon the Vessel, or any share or interest therein;

3.1.2 promptly pay and discharge or procure that there are paid or discharged all debts, damages, liabilities and outgoings whatsoever which have given or may give rise to statutory, possessory or maritime liens on, or claims enforceable against, the Vessel or the Insurances or any part thereof and, in

the event of the Vessel being arrested, seized or detained or the Insurances or any part thereof being arrested, attached or levied upon pursuant to legal process or purported legal process procure the release of the Vessel and the Insurances from such arrest, attachment or levy within 10 Business Days thereof; and

- 3.1.3 notify the Scottish Ministers promptly by facsimile or e-mail of any arrest, seizure or detention of the Vessel or any exercise or purported exercise of an arrest, attachment, lien or other claim on the Insurances or any part thereof.

4 Possession

- 4.1 The Operator must not at any time without the prior consent of the Scottish Ministers and, if such consent is given, only subject to such conditions as the Scottish Ministers may impose, part with the possession or operational control of the Vessel (other than in accordance with the Ship Charters).

5 Title, Registration and Name

- 5.1 The Operator must during the Grant Period do all that may be necessary on its part to maintain in force the registration of the Vessel as a British ship. The Operator will not do, or knowingly or recklessly suffer to be done, anything whereby the registration of the Vessel will be forfeited or imperilled.
- 5.2 The Operator must not without the prior consent of the Scottish Ministers (and then only on and subject to such terms as the Scottish Ministers may agree) change the name of the Vessel.
- 5.3 Throughout the Grant Period the Operator must not create or agree or purport to create any encumbrance over the Vessel, any share or interest therein or in the Insurances or requisition compensation or any part thereof (other than with the prior consent of the Scottish Ministers and in respect of CMAL Vessels, CMAL).

6 Maintenance and Operation

- 6.1 Without prejudice to the provisions of the Ship Charters (where appropriate) the Operator must throughout the Grant Period:
- 6.1.1 at its sole cost and expense maintain the Vessel and every part of the Vessel (which includes any Transferring Assets on or fixed to the Vessel) and keep it in a good and efficient state of repair and safe operating condition, seaworthy in all respects and in accordance with good maintenance practice (fair wear

and tear excepted and having regard to the age and type of the Vessel) on a non-discriminatory basis with other vessels owned and/or operated by the Operator and in accordance with good industry practice for United Kingdom ferry operators and procure that all repairs to, or replacement of, any damaged, worn or lost parts or equipment are effected in such a manner (both as regards workmanship and quality of materials) as not to diminish the value of the Vessel and (without prejudice to the generality of the foregoing) the Operator must ensure that at all times:

6.1.1.1 the Vessel maintains the classification of the Vessel with the relevant Classification Society and to the extent any additional class notations are registered or proposed for registration with the Classification Society, the Operator must ensure that the Vessel maintains such additional class notations in compliance with the requirements of the Classification Society provided that any such additional class notations are consistent with the specification of the Vessel;

6.1.1.2 the Vessel complies with all other regulations and requirements (statutory or otherwise) from time to time applicable to vessels registered in the Flag State or otherwise applicable to the Vessel, her Master, officers and crew (including in relation to the number of crew) wherever the Vessel may proceed or trade and (without prejudice to the generality of the foregoing) at its own expense maintain in force for the Vessel all safety, radio, loadline and other certificates whatsoever and all licences and permits which may from time to time be prescribed by any legislation in force in the Flag State, any relevant port state or other applicable jurisdiction;

6.1.1.3 ensure the Operator complies at all times with any terms of the Insurances relating to the condition or inspection of the Vessel;

6.1.2 permit the Scottish Ministers by surveyors or other persons appointed by them for such purpose to board the Vessel at all reasonable times (but no more than twice in any year during the Grant Period other than in circumstances where an Event of Default has occurred) for the purpose of inspecting her, including giving access to such persons to the Master's Log and afford all proper facilities for such inspections and for this purpose give the Scottish Ministers reasonable advance notice of at least 30 days of any intended drydocking (or other underwater inspection of the Vessel) of the

Vessel (whether for the purpose of classification, surveyor otherwise) and the Scottish Ministers will be entitled to be represented at such dry dock. The proper and reasonable costs of such inspections and surveys must be paid by the Operator. All inspections and surveys of the Vessel will be carried out at such times and in such places and in such manner as to minimise delaying the use and operation of the Vessel, but the Scottish Ministers will not be obliged to carry out such inspections only during periods of drydocking;

6.1.3 notify the Scottish Ministers forthwith upon becoming aware of the same by facsimile transmission thereafter confirmed by letter and in reasonable detail of:

6.1.3.1 the hijacking, confiscation, seizure, impounding, arrest, taking in execution, forfeiture or detention of the Vessel or any major part thereof or any requisition for hire at any time of the Vessel;

6.1.3.2 any requirement or recommendation made by the Classification Society or by any insurer or any competent authority which is not, or cannot be, complied with in accordance with its terms;

6.1.3.3 any death or serious or potentially serious injury to a third party or substantial damage to property, caused by, or in connection with, the Vessel;

6.1.3.4 any single casualty or other accident or damage to the Vessel which may be or become a Total Loss (as that expression is defined in the relevant Ship Charter or which may involve repairs or maintenance costing more than £100,000;

6.1.3.5 any assistance which has been given to the Vessel which has resulted or may result in a lien for salvage being acquired over the Vessel;

6.1.3.6 any collision or other accident or incident involving damage to the Vessel the repair cost of which is likely to exceed £100,000 (or the then equivalent in any other currency);

6.1.3.7 any other event which occurs in connection with the Vessel which affects or may reasonably be expected to affect the rights of the Scottish Ministers or involves or may reasonably be expected to involve any loss or liability;

6.1.3.8 the occurrence of any litigation involving, or criminal proceedings against, the Operator;

6.1.3.9 any notices, requirements or recommendations made by or on behalf of a governmental or statutory body or agency. This includes, but is not limited to, notices, requirements or recommendations made by or on behalf of:

- an Inspector under the Welfare of Animals (Transport) Order 1997 or the Animal Health Act 1981;
- the Health and Safety Executive (HSE) or any other agency of the Health and Safety Commission;
- the Scottish Environment Protection Agency (SEPA);
- Maritime and Coastguard Agency (MCA).

6.1.4 in the event of a casualty or maintenance referred to in paragraph 6.1.3.4 above, the Operator will notify the Scottish Ministers orally within 48 hours of discovery and in writing within 72 hours after the discovery of the event. The Operator must notify the Scottish Ministers of the plan and time frame for rectification (if applicable) as soon as possible thereafter;

6.1.5 maintain all such records, logs, manuals, technical data and other materials and documents which are required to be maintained in respect of the Vessel to comply with any Applicable Laws or the requirement of the Classification Society and, on reasonable advance notice from the Scottish Ministers, permit the Scottish Ministers or their representatives at any time to examine and take copies of such logs and other records;

6.1.6 procure that the Scottish Ministers are not at any time represented by the Operator, its contractors, agents, employees, representatives and/or subcontractors as carrying goods or passengers or providing any other service on or from the Vessel or as having any operational interest in, or responsibility for, the Vessel.

6.1.7 do or cause to be done all things necessary to comply with all national, international and state conventions and laws (and any rules and regulations thereunder) applicable to the Operator and/or the Vessel including, without limitation, the Merchant Shipping Act 1995, the International Convention for the Safety of Life at Sea (SOLAS) 1974 as amended from time to time the IMO document International Convention for the Prevention of Pollution from Ships (MARPOL) and to the extent applicable, the Oil Pollution Act of 1990 of

the United States of America (including, without limitation, the requirements thereunder relating to manning and the establishment of financial responsibility), the Comprehensive Environmental Response Compensation and Liability Act of the United States of America, other federal and state laws of the United States of America and international conventions, laws, rules and regulations relating to environmental matters, including those relating to discharges of oil, petroleum, petroleum products and distillates, chemicals, pollutants and other substances and the Terrorism Act 2000.

6.1.8 maintain an emergency response plan and undertake the appropriate exercises for training purposes.

7 Insurance Undertakings

- 7.1 The Operator hereby covenants and undertakes that throughout the Grant Period it will insure and keep every Vessel insured at its own cost and expense in respect of all matters of whatsoever nature and howsoever arising in respect of which insurance would be maintained by a prudent owner of the Vessel having regard to the situation, nature and method of operation of that Vessel.
- 7.2 The Operator hereby covenants that it will not do, consent to or permit any act or omission which might invalidate or render unenforceable the whole or any part of the Insurances and not (without first obtaining the consent of the insurers to such employment and complying with such requirements as to extra premium or otherwise as the insurers may prescribe) employ any Vessel or suffer any Vessel to be employed otherwise than in conformity with the terms of the Insurances (including any warranties expressed or implied therein).
- 7.3 Apply all sums receivable under the Insurances which are paid to the Operator in repairing all damage and/or in discharging the liability in respect of which such sums have been received.
- 7.4 In the event of a Vessel becoming a wreck or obstruction to navigation during the Grant Period the Operator must indemnify and hold harmless the Scottish Ministers against all costs, expenses, payments, charges, losses, demands, any liabilities, claims, actions, proceedings (whether civil or criminal) penalties, fines, damages, judgements, orders or other sanctions which may be made or asserted against the Scottish Ministers by reason that the Vessel becomes a wreck or obstruction to navigation -including, (without limitation), in respect of the removal or destruction of the wreck or obstruction under statutory powers.

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PART C: SCHEDULED MAINTENANCE PROGRAMME FOR VESSELS

- 1 The Scheduled Maintenance programme for vessels will ensure that the operation of the Services shall be self-relieving by Cascade (i.e. maintained by the redeployment of Fleet Vessels otherwise surplus to the requirements of the Timetable) and the Operator shall carry the anticipated demand during periods of Scheduled Unavailability. If this cannot be achieved for any reason and the maintenance of the requirements of the Timetable requires the provision of a replacement vessel then the Operator shall provide an additional vessel during these periods and the suitability of any such vessel proposed will be subject to the approval of and at the discretion of Scottish Ministers.
2. Without prejudice to the requirements of paragraph 1 above, the Operator proposes to undertake the execution of the scheduled maintenance in the following manner:

1.3.3 Scheduled Maintenance Programme**Service offering and contractual undertakings****A detailed description of our proposals for maintaining the vessels**

Our maintenance strategy will comply with all applicable international and national safety regulation, together with operational budgets to ensure a safe, reliable fleet that meets customer and timetable expectations.

[REDACTED]

Our eight year strategy will primarily focus around the components of the system and will form the following;

- » Collaboration with CMAL to define risk based maintenance processes together with appropriate performance indicators and continual improvement
- » Development of an Asset Management Team to centralise maintenance planning, procurement, reporting and control
- » Include a dedicated Asset Management section in the Company Management System, overseen by the Safety and Quality Management System to ensure a compliant, high quality product
- » Investment in an asset management software tool and condition based monitoring equipment

Benefits of this approach

A clear understanding and recognition that the provision of software alone will not 'fix' any existing issues. The commitment to firstly put in place the underpinning business process and controls will provide assurance to Transport Scotland and CMAL that the software is a tool to assist those in the Asset Management Team and the ships' officers.

We will now deal with each of these four components of our overall Maintenance Plan in turn.

Collaboration with CMAL to define risk based maintenance processes for the fleet which result in enhanced reliability and efficiencies in cost and resources.

The Asset Management System will meet the requirements of Schedule 5 Part C of the Contract i.e. we will ensure that the operation of the Services is self-relieving by cascade and we will carry the anticipated demand during periods of scheduled unavailability the asset management system will ensure that the machinery and equipment remains fit for purpose and is maintained as necessary as required by the charters. With an ever-ageing fleet, equipment obsolescence must be planned for, ensuring reliable and safe vessels that fulfil client, customer and community expectations. We will engage with CMAL upon becoming aware of potential obsolescence issues

We will undertake to further develop our current excellent technical performance by implementing a planned predictive maintenance programme. We are currently working in partnership with local small and medium enterprises (SMEs) and national companies to reduce our overall procurement costs, maintenance manpower and material costs.

CFL will apprise CMAL of equipment failures that impact on our ability to operate a vessel and will classify failures in terms of major refits, lifetime extensions or charters upgrades. Together, we will assess and address the issues leading to the failures and provide agreed solutions to prevent recurrence.

Collaborative and proactive approach to vessel maintenance

We will work with CMAL and Transport Scotland to achieve the best utilisation of material and manpower resources for the maintenance of the whole fleet of vessels so that maintenance, repair and dry-docking is achieved in a co-ordinated way that is economical, efficient and effective.

CFL and CMAL will co-ordinate modifications, upgrades and life extension projects with the intention of presenting a single unified approach to Transport Scotland.

CFL will continue to work with CMAL on the design of new and replacement vessels and consider it to be imperative that vessel design takes account of the "whole life" cost of running ships.

A close working relationship with CMAL will be developed to enable best use of combined vessel knowledge to ensure that maintenance strategies are fully aligned, innovative and consistent.

Following an EU compliant procurement process we will enter into [REDACTED] contract with repair facilities (dry-dock and slip way operators / owners). This will ensure availability of appropriate facilities at times suited to our maintenance strategy, reduce disruption to ferry schedules and deliver customer satisfaction.

We have provided proposals of a high level programme of scheduled maintenance for each vessel in 1.3.3 Appendix A.

Maintenance regimes**Dry-docking**

We will increase the level of influence on dry dock and repair facility availability. We will develop partnerships, alliances and other commercial contracts to control dry-docking and major repair period scheduling and costs. This will also enable dry dock repairs to be

scheduled with more certainty as to timings and contingency plans. In addition, yards will gain deep knowledge of each vessel over a period.

Critical machinery will be fully and correctly overhauled to OEM requirements.

Twenty six vessels will be dry-docked annually over the period of the Contract and five vessels will be dry-docked a minimum of twice in a five year period of the Contract. For other years, these vessels will be inspected by IWS.

In-water surveying

The increased expertise of in water repairs in the industry provides us with an opportunity to undertake some emergency repair work in the water rather than divert a vessel to a shipyard or dry-dock.

The following vessels will adopt the IWS maintenance regime once permission has been granted by the MCA. This process will be at the permission of the owner as it determined by the requirements of the Charterparty.

- » MV Argyle
- » MV Bute
- » MV Coruisk
- » MV Loch Seaforth
- » MV Finlaggan

Mobile maintenance teams

We will deploy mobile maintenance teams to carry out maintenance outside the normal day-to-day operation of the vessel. This maintenance will take place overnight and during other vessel downtime. Mobile maintenance teams will also assist in the logistical supply of spare parts across the network. We will deploy two maintenance mobile teams covering the north and south regions.

This approach will allow us to undertake maintenance which would normally be held back for the annual overhaul. By carrying out mobile maintenance we will reduce the period required for annual overhaul.

Marine Evacuation Systems (MES)

At our cost we will procure two additional MES which will cover the following vessels:

- » MV Bute, MV Argyle and MV Coruisk
- » MV Hallaig and MV Lochinvar

These two systems will enable the adoption of `in-service exchange`. This will reduce the amount of time required in annual overhaul by up to 10 days for each of these vessels.

Procuring spare parts and equipment to maximise availability and cost effectiveness

We will procure spare parts for maintenance to ensure that they achieve the right level of quality, are cost effective and take account of original equipment manufacturer (OEM) and of small and medium enterprises (SME).

Machinery spare parts for critical system components will be procured from OEMs. We will ensure that our supply chain and logistics partners provide us with spare parts at a competitive price, with short lead times to meet maintenance needs. Furthermore, we will continually review the level of capital tied up in spares and reduce dead stock whilst having critical parts available where and when needed.

We will work with CMAL to agree a program for standardising machinery and components across the fleet allowing for a reduction in the levels of materials and spares carried or stored.

We will ensure compliance with EU law and will procure in compliance with the Public Contract (Scotland) Regulations 2015 thus ensuring;

- » SMEs are aware of opportunities when we issue a tender
- » We will conduct transparent processes and procedures to enable SMEs to become a supplier to CFL given their approach to business is a good match with our business ethics
- » We will ensure the suppliers we work with understand our environmental objectives, and that these objectives are not anti-competitive, thus limiting SME ability to participate in procurement exercises

Development of an asset management department to centralise maintenance scheduling, procurement, reporting and control

We have created a new department, headed by the Asset Management Director to centralise all maintenance scheduling. This is an executive level position reporting to the Managing Director. This department is created to oversee the management of the assets, together with enhanced opportunities for working, learning and cost reduction.

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■ [Redacted text block]

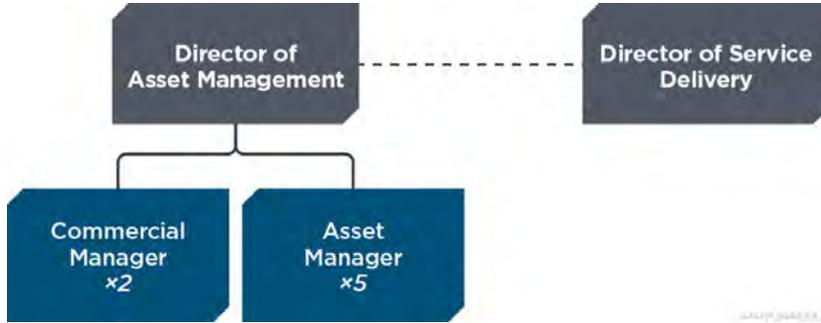
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The Asset Management Department

[Redacted]



[Redacted]



Maintenance scheduling



Each of these new roles will have clear performance indicators, key accountabilities, critical capabilities and key interfaces.

We will provide on-going professional development for our employees to ensure that they are equipped with the skills and tools to provide the required levels of service.

Learning and development

Through our learning and development programmes we will ensure up-to-date skills and knowledge as required. We will support this both through formal accredited learning, on the job learning and day-to-day mentoring. We will invest in training for the Asset Management Team and sea-going users to enable them to use the asset management software to its maximum capabilities.

We will encourage our staff to attend relevant industry events and take opportunities to learn from outside of the CFL business and the maritime industry. This will result in a more engaged, skilled and motivated workforce, which is capable of executing our planned maintenance strategy.



Investment in Class approved asset management software and condition based monitoring equipment.

We will invest in Class approved asset management software in order to carry out the required functionality of:

- » Asset management
- » Planned maintenance

- » Inventory management
- » Procurement management
- » Business intelligence and KPIs
- » Regulatory reporting
- » Dispatching and scheduling
- » Performance monitoring
- » Third party software interface capability

We will invest in condition based monitoring equipment which will

- » Achieve a less intrusive maintenance regime
- » Provide predictive trend analysis
- » Detect problems prior to an event

In order to procure an appropriate software tool we will follow and adhere to our own internal procurement processes which are compliant with EU procurement law. This will be conducted by the Procurement Manager.

Asset management software

Vessel maintenance will be supported by an asset management system. This will be phased in over the period of the contract. We will specify and procure systems that can be shared and accessed by all relevant parties to enable collaborative planning and reporting for all preventative, planned and reactive maintenance.

The Asset Management System will be used to hold the technical details, maintenance requirements and specification of all equipment. The system will schedule the maintenance for all areas of the ship and the components therein.

Work planned within the system will contain an option to flag work required during an out-of-service period. This functionality will be used to generate a work programme for a major repair period or dry dock. The desired functionality of the system will:

- » List and categorise all items on-board the vessel including those that require maintenance. External inputs will be required to produce the item lists and will detail the manufacturers' recommendations for service intervals between maintenance. Spare parts illustrations, part lists and part numbers will be stored as will the manufacturers contact details for ease of re-ordering.
- » Be capable of interrogating maintenance history to identify excessive breakdowns or high spares usage against individual machinery.
- » Trend machinery condition and efficiency to indicate when maintenance is required.
- » Trend machinery lubricating and hydraulic oil conditions to indicate wear or damage to critical systems.
- » Record 'as found' and 'as rebuilt' calibrations of working clearances and condition of major parts with photographic illustrations.
- » Track survey and guarantee dates, reporting on those items nearing expiration.
- » Analyse maintenance costs across individual ships, classes of ship and the fleet and records detailed machinery maintenance history.
- » Provide scheduling based on running hours, defined period, condition, vibration analysis, lubricating oil condition analysis, guarantee and Classification Society survey.

- » Output risk assessments and safety considerations for all maintenance tasks.
- » Output repair specifications to include full machinery detail.
- » Fully utilise non-intrusive maintenance techniques such as condition monitoring and vibration analysis.
- » Record Classification Society survey data.
- » Track defects and record defect specifications for inclusion in repair lists.
- » Track machinery condition, efficiency and performance.
- » Track technical 'request for change' items.

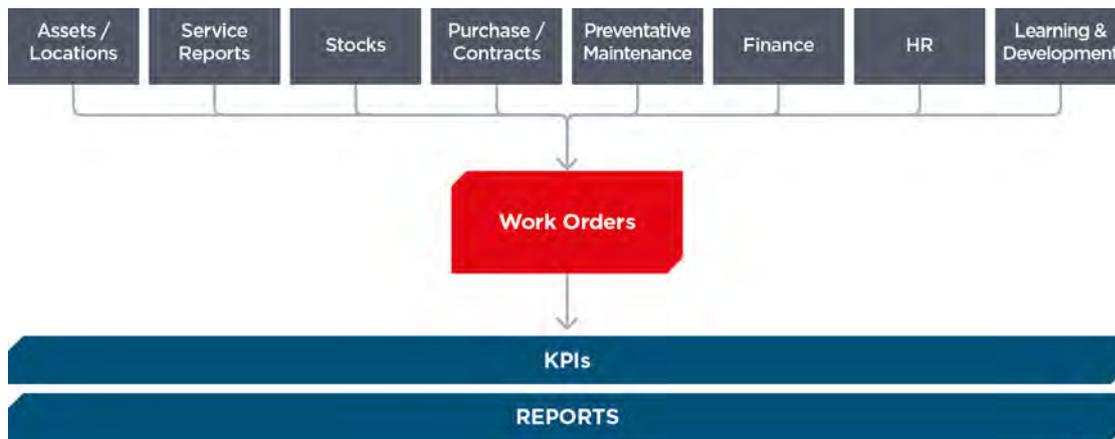


Figure 1.3.3 (h) Functionality and outputs of a typical Asset Management System.

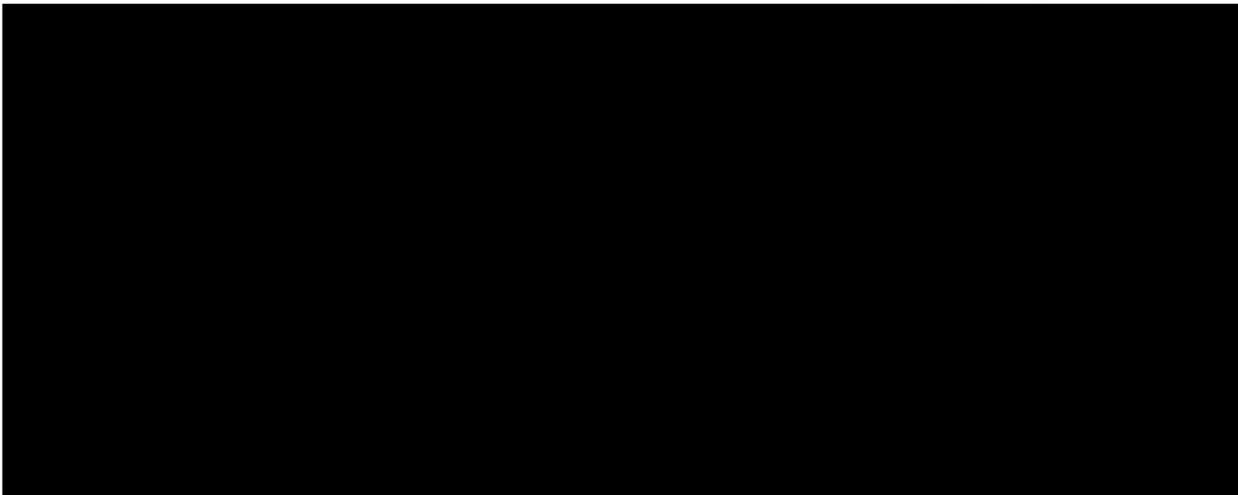
Condition based monitoring

Over the period of the Contract we will invest in portable condition based monitoring equipment in a phased approach. Investment in condition based monitoring will:

- » Extend component service life. Vibration analysis monitoring is an essential element in detecting and identifying defects. When found early enough, cost savings can be realised by repairing rather than replacing due to an oncoming component failure.
- » Maximise machine productivity. Through effective vibration analysis monitoring it is possible to greatly reduce plant downtime due to unexpected machine failure.
- » Minimise unscheduled downtime. Vibration analysis monitoring facilitates the planning of repairs during non-peak production hours.
- » Safely extend overhaul intervals. Vibration analysis enables the scheduling of intrusive maintenance on a needs-only basis.
- » Minimise the number of, open, inspect and repair if necessary, overhaul routines. Vibration analysis identifies the necessary repair and overhaul activities.
- » Improve repair time - As a result of machine maintenance planning becoming possible, the actual repair/maintenance work is more cost effective.
- » Increased electrical safety due to the early identification of overheating switchgear and other circuit components.
- » Increased machine life. A well-maintained machine lasts longer than a poorly maintained one.

- » Improve product quality. Often, the overall effect of improved maintenance is improved product quality. For example, in paper machines, vibration has a direct effect on the quality of the paper product.
- » Reduce maintenance cost. The elimination of unexpected downtime, reduction of repair costs and increased service intervals all lead to reduced maintenance cost.
- » Enhance product safety - Monitoring machinery on a regular basis reduces the chance of dangerous malfunctions that could endanger employees and the environment. Alarm levels can be set to suit individual pieces of machinery.
- » Improve information for tighter management, trend analysis, supplier performance, performance indicators and productivity.

In order to procure the appropriate equipment we will follow and adhere to our own internal procurement processes which are compliant to EU procurement processes. This will be conducted by the Procurement Manager.



Separate proposals for each vessel over the duration of the Contract

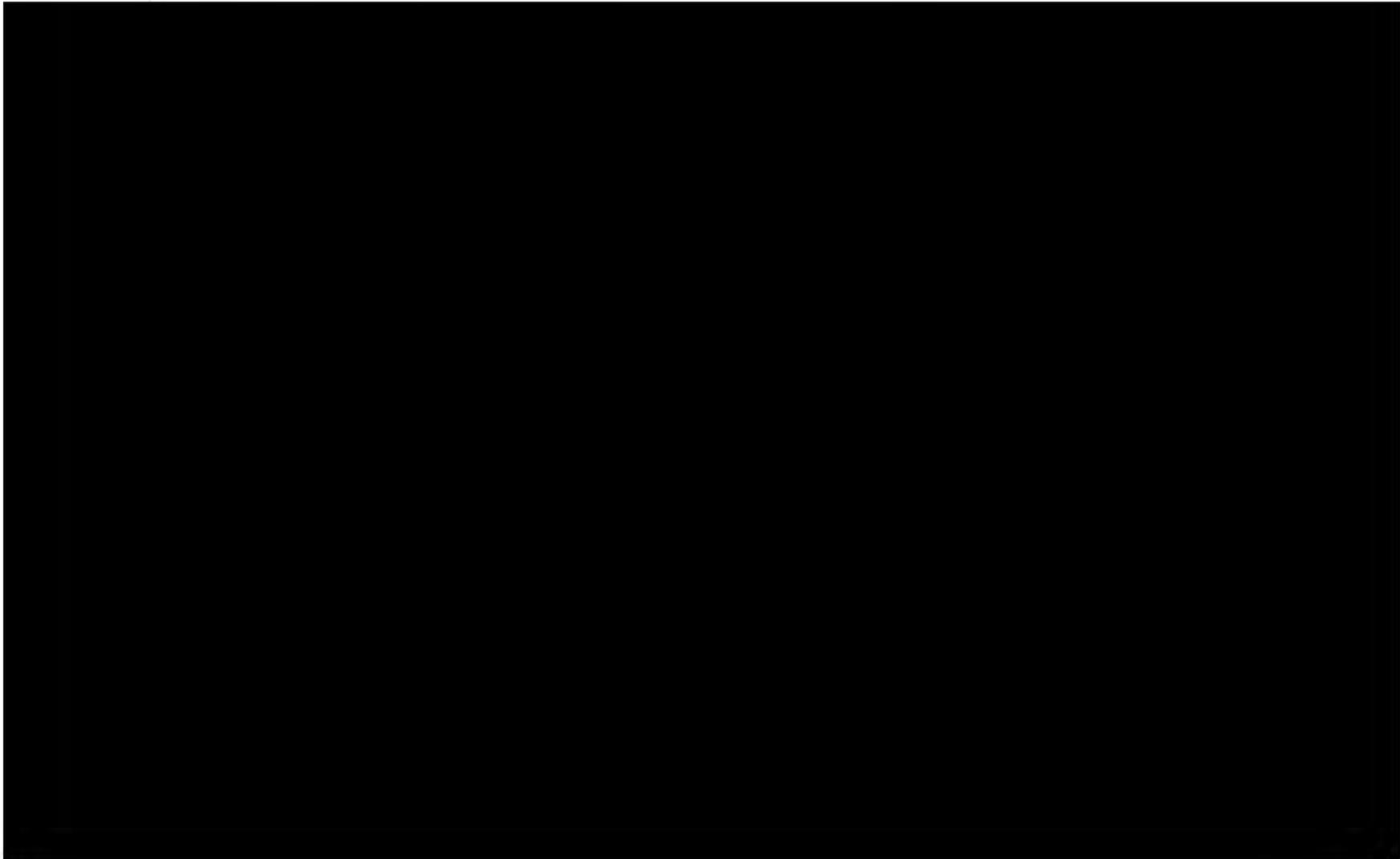
Each vessel will undergo an annual overhaul; either at a shipyard with dry dock or slipway or an IWS. Table 1.3.3 (b) below shows which type of annual overhaul each vessel is indicatively programmed for, and in which Contract year.

[REDACTED]									
[REDACTED]									
[REDACTED]									
[REDACTED]									
[REDACTED]									
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Service offerings and contractual undertakings milestones

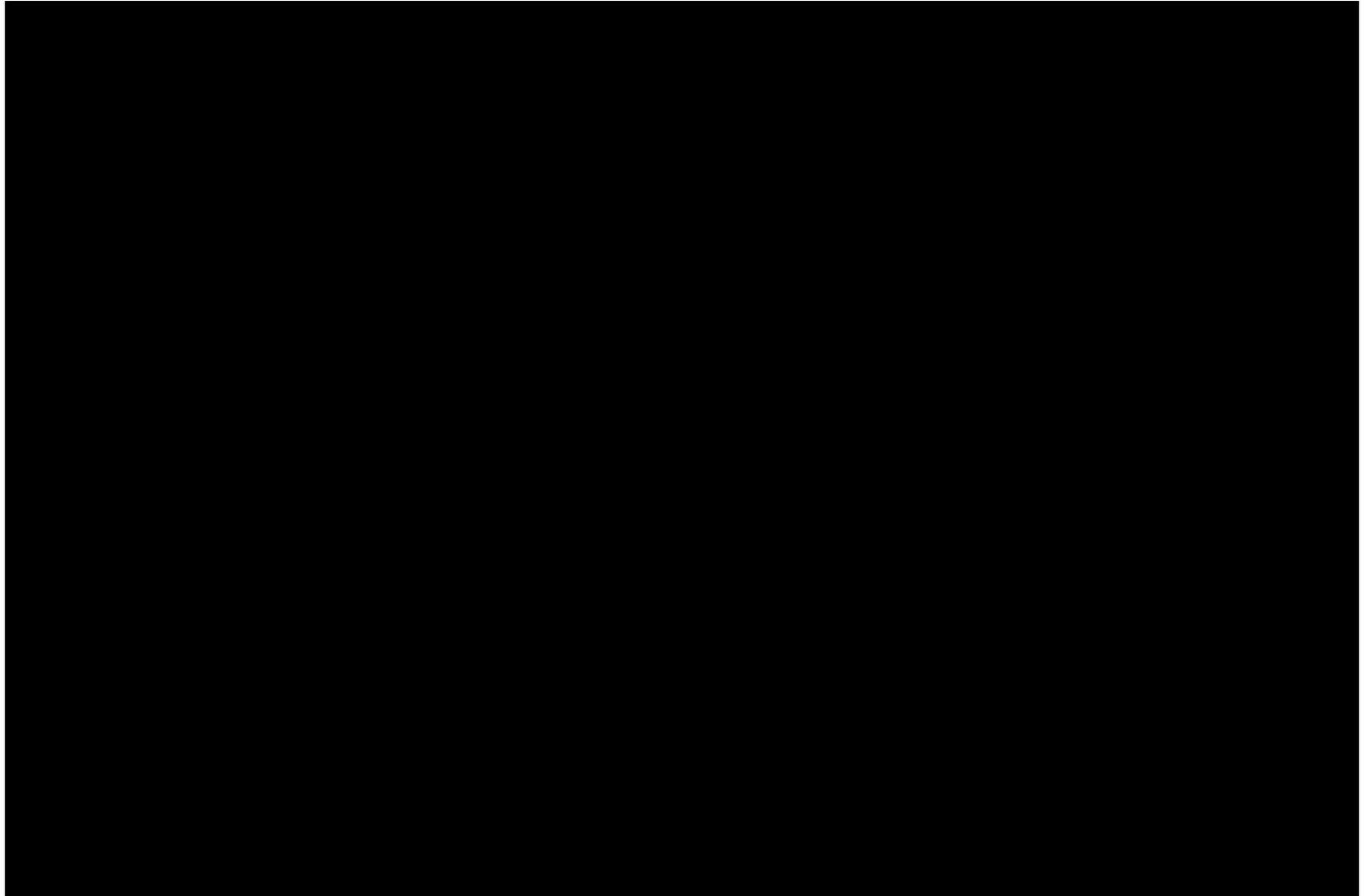
Contractual Undertakings	Milestone Date
The Scheduled Maintenance Programme will meet the requirements of Schedule 5 Part C of the Contract	Commencement Date
We will report on maintenance issues to CMAL, clearly identifying where they are owners upgrades, major refits or obsolescence issues	Ongoing
The forecasting and planning specialists, in conjunction with the Asset Management Team will provide a Scheduled Maintenance Programme for each vessel in collaboration with CMAL.	Commencement Date
Comply with classification rules	Commencement Date
Carry out the relevant Lloyds Register of Shipping inspection surveys	Annually
Maintain compliance with Maritime and Coastguard Agency (MCA) requirements	Commencement Date
Procure a Classification Society approved Asset Management System and condition based monitoring equipment	End CY2
Introduce mobile maintenance teams to undertake planned maintenance procedures	Commencement Date
Procure an additional MES for the MV Argyle, MV Bute and MV Coruisk	End CY1
Procure an additional MES for the MV Hallaig and MV Lochinvar	End CY1

1.3.3 Appendix A



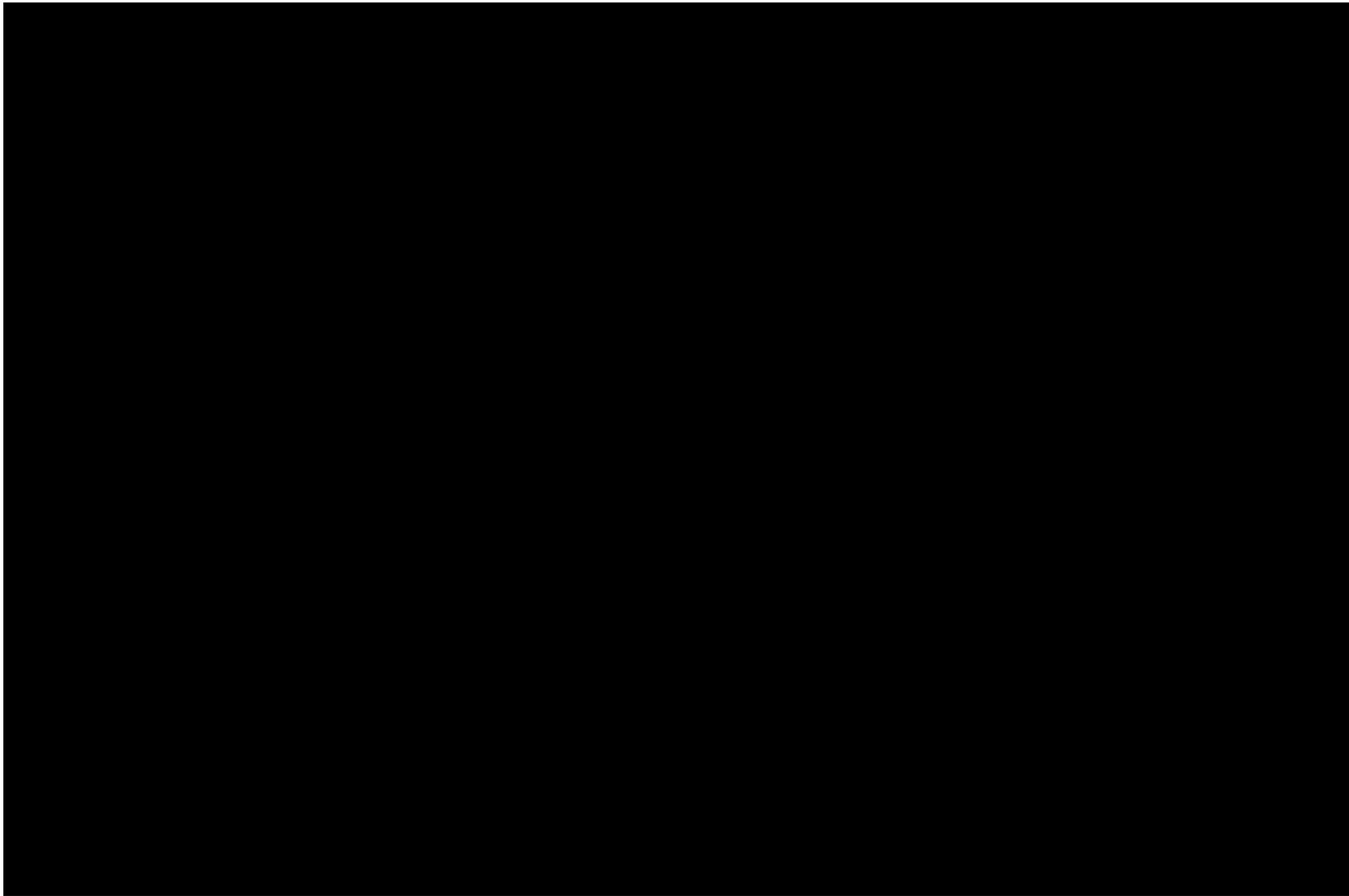
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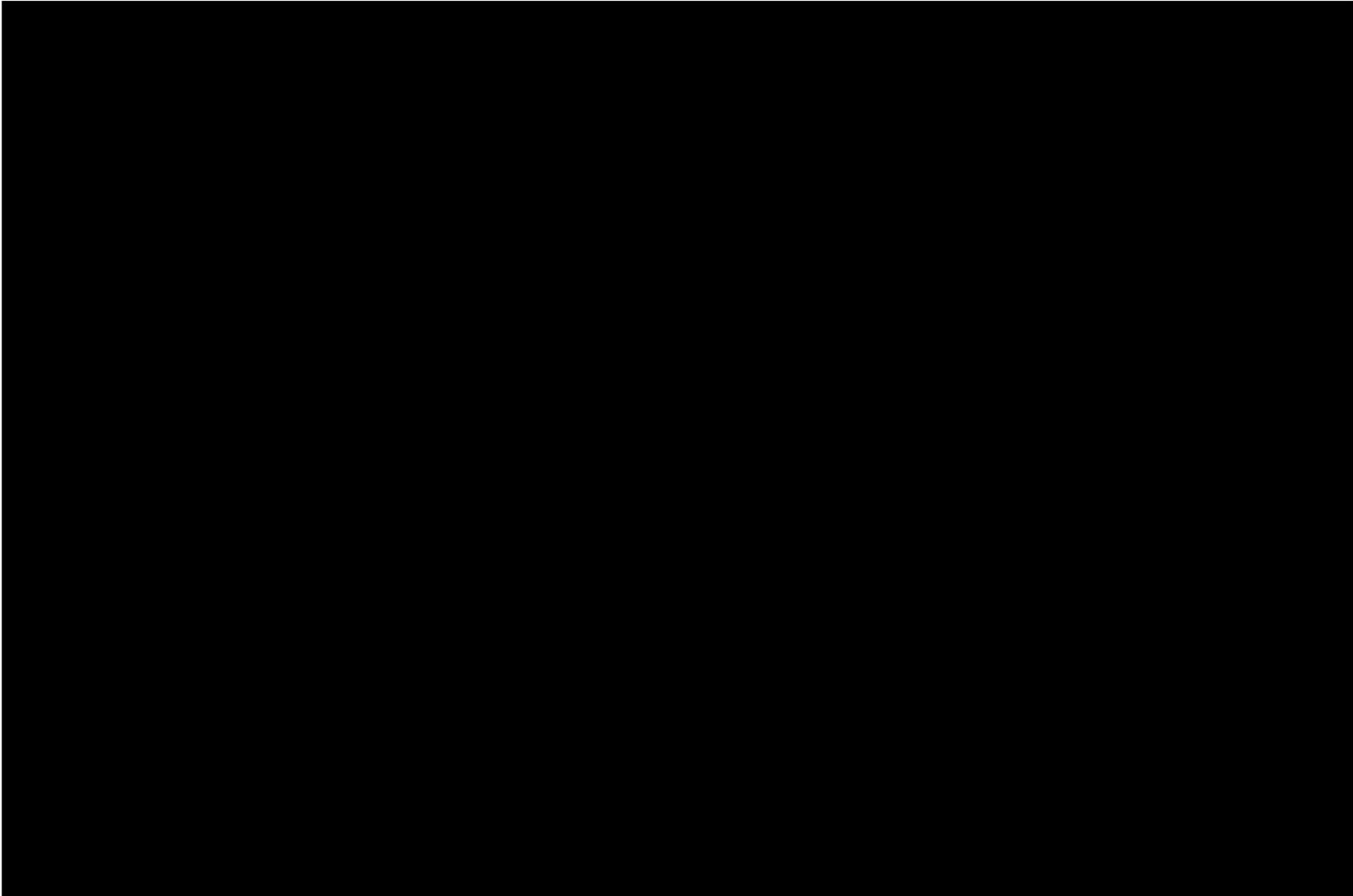
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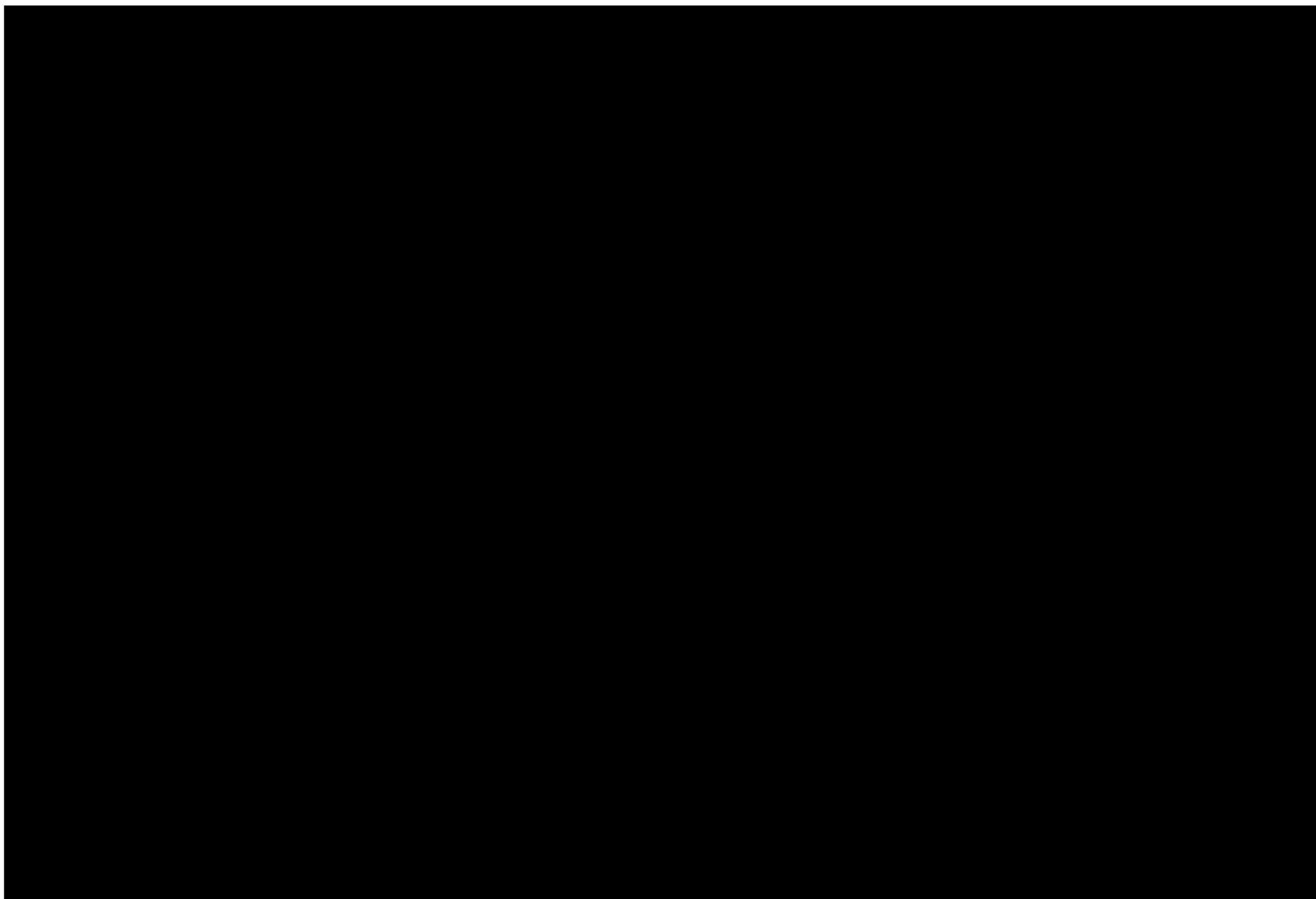
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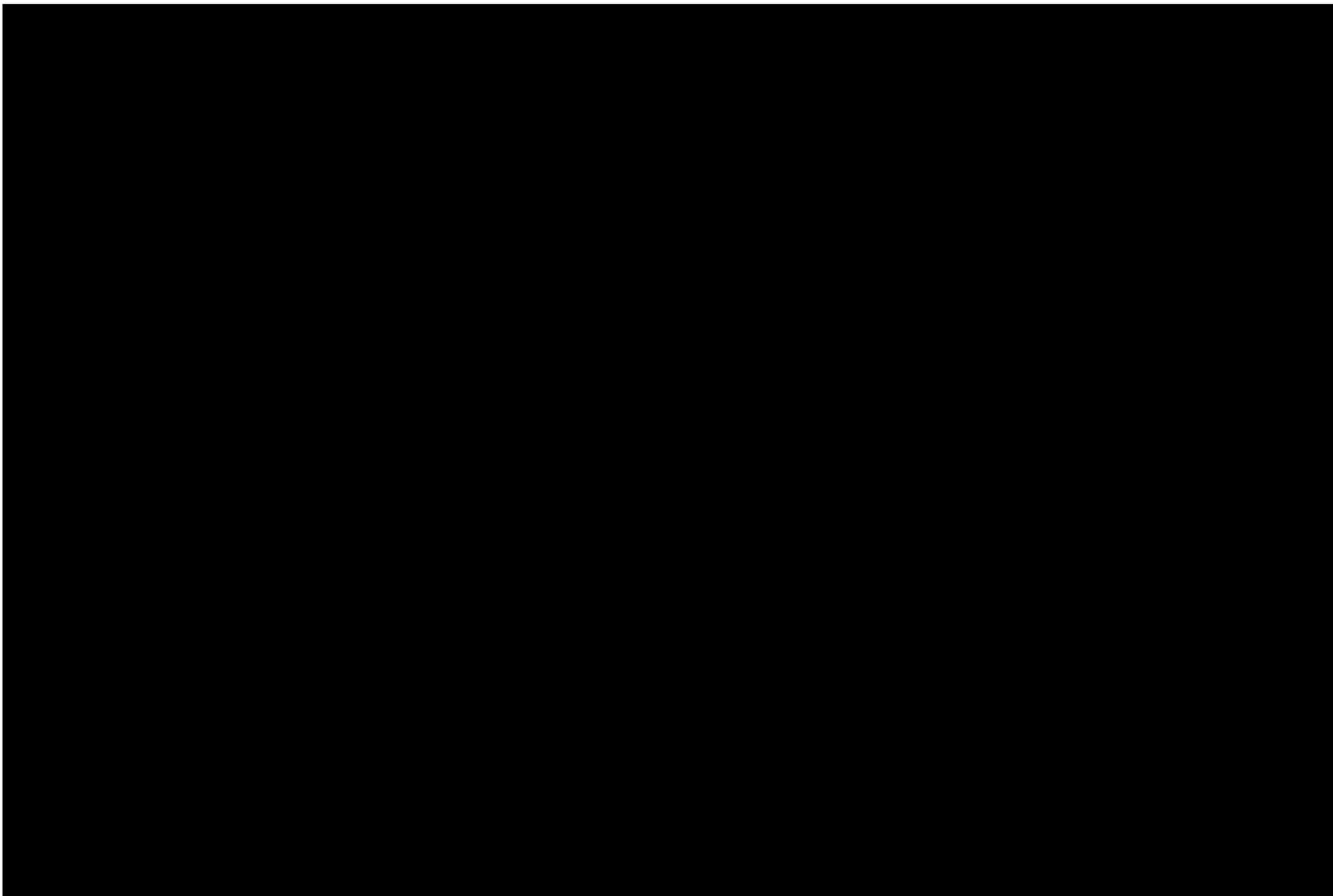
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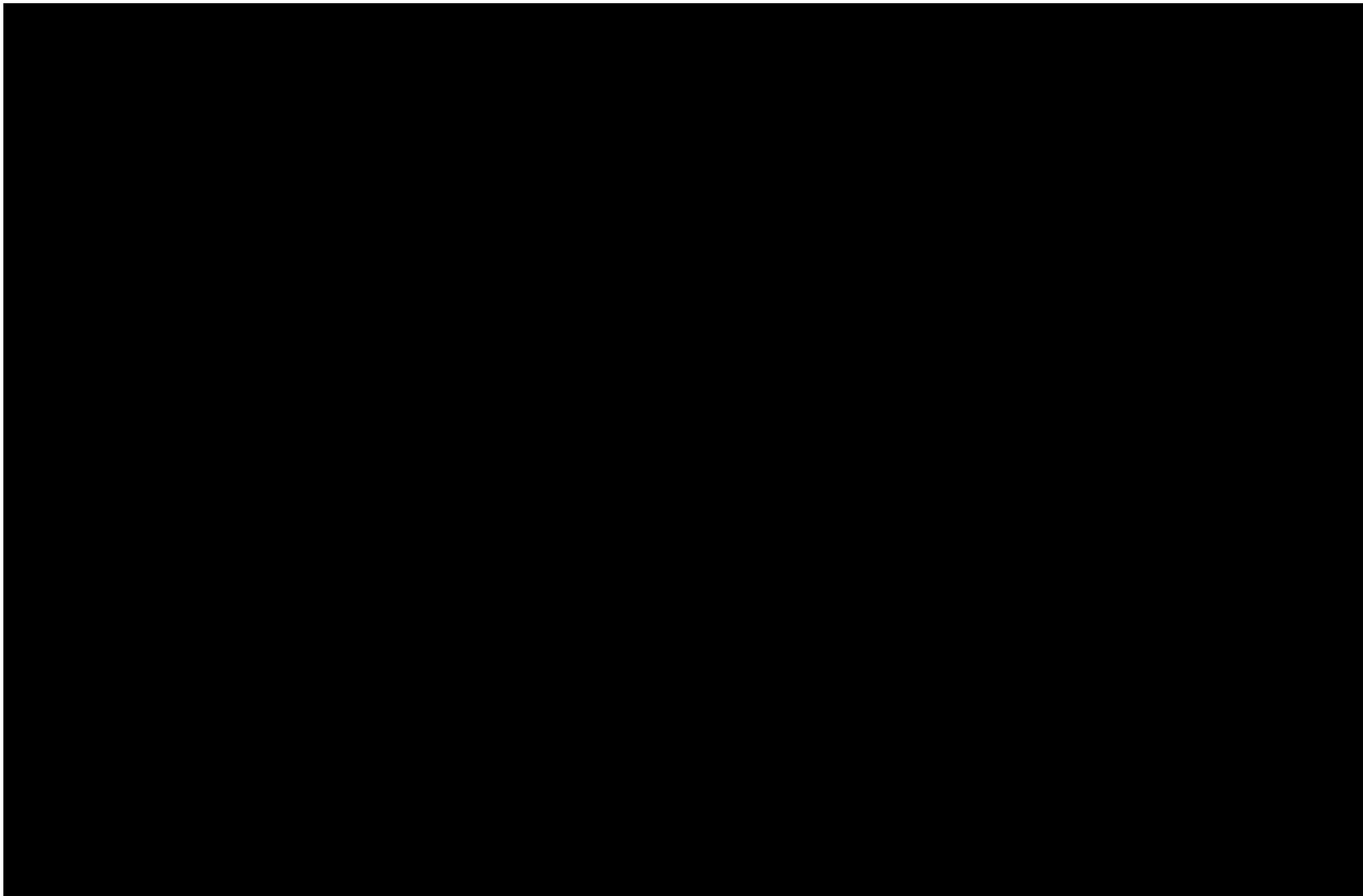
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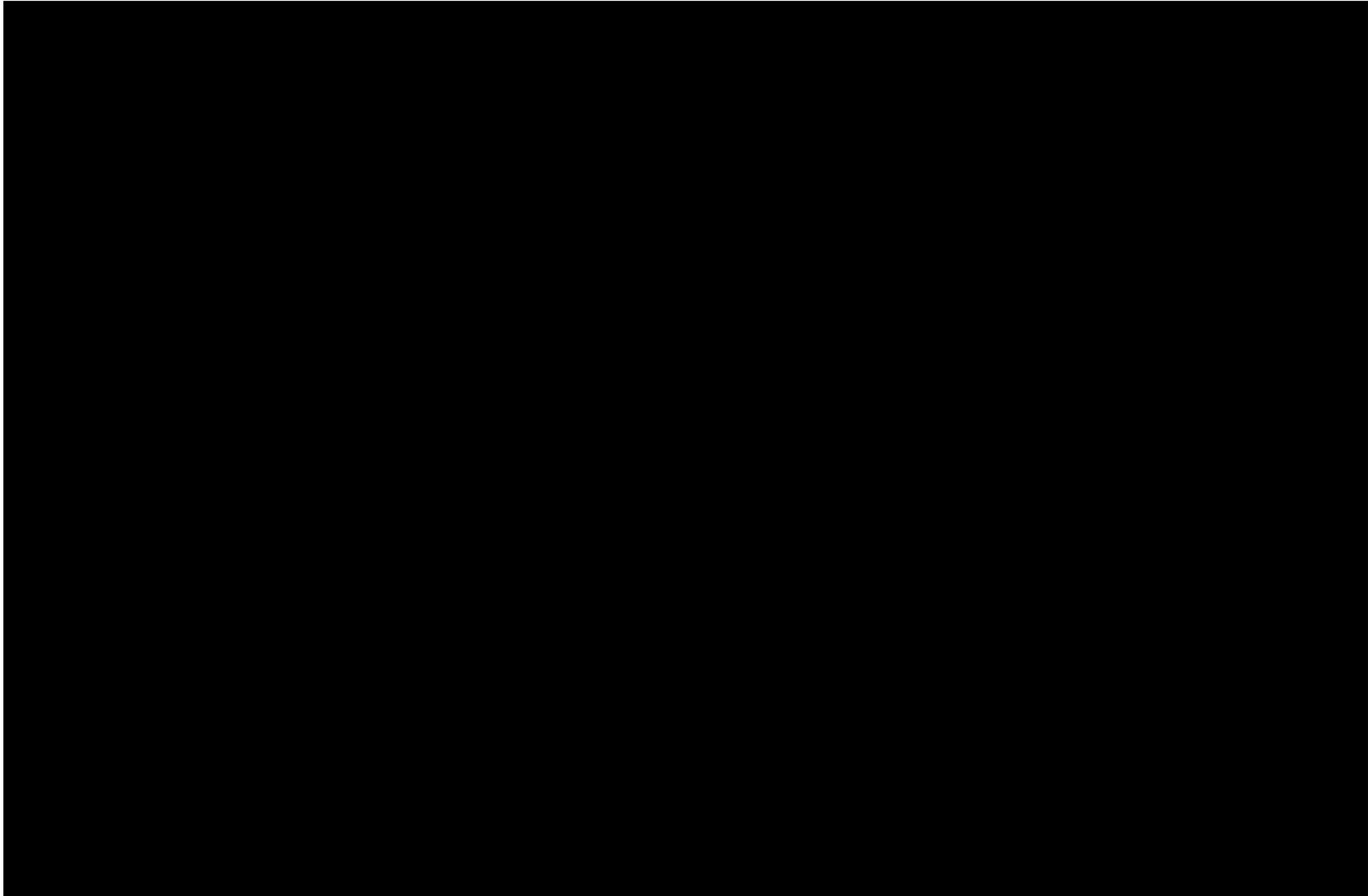
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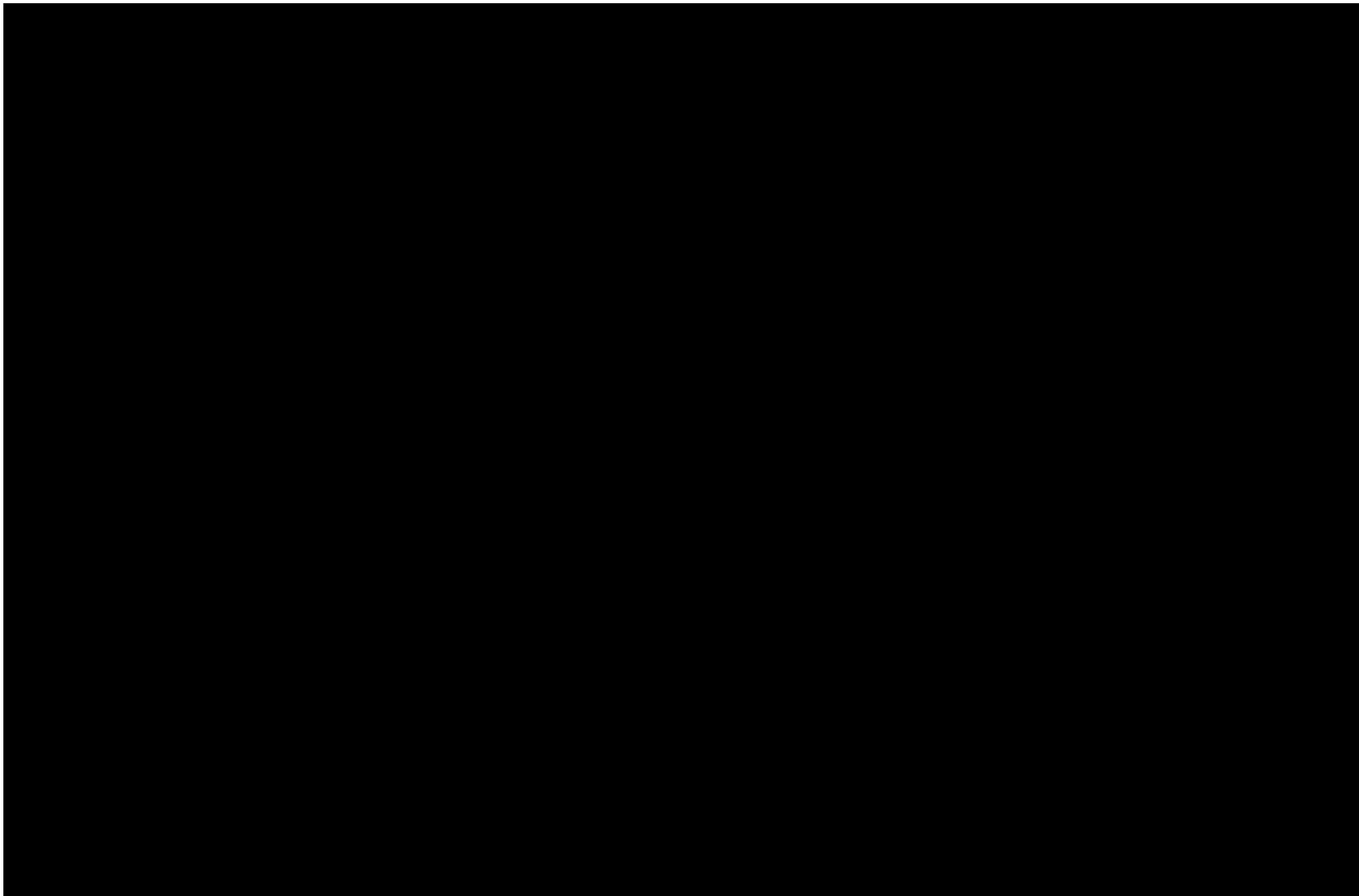
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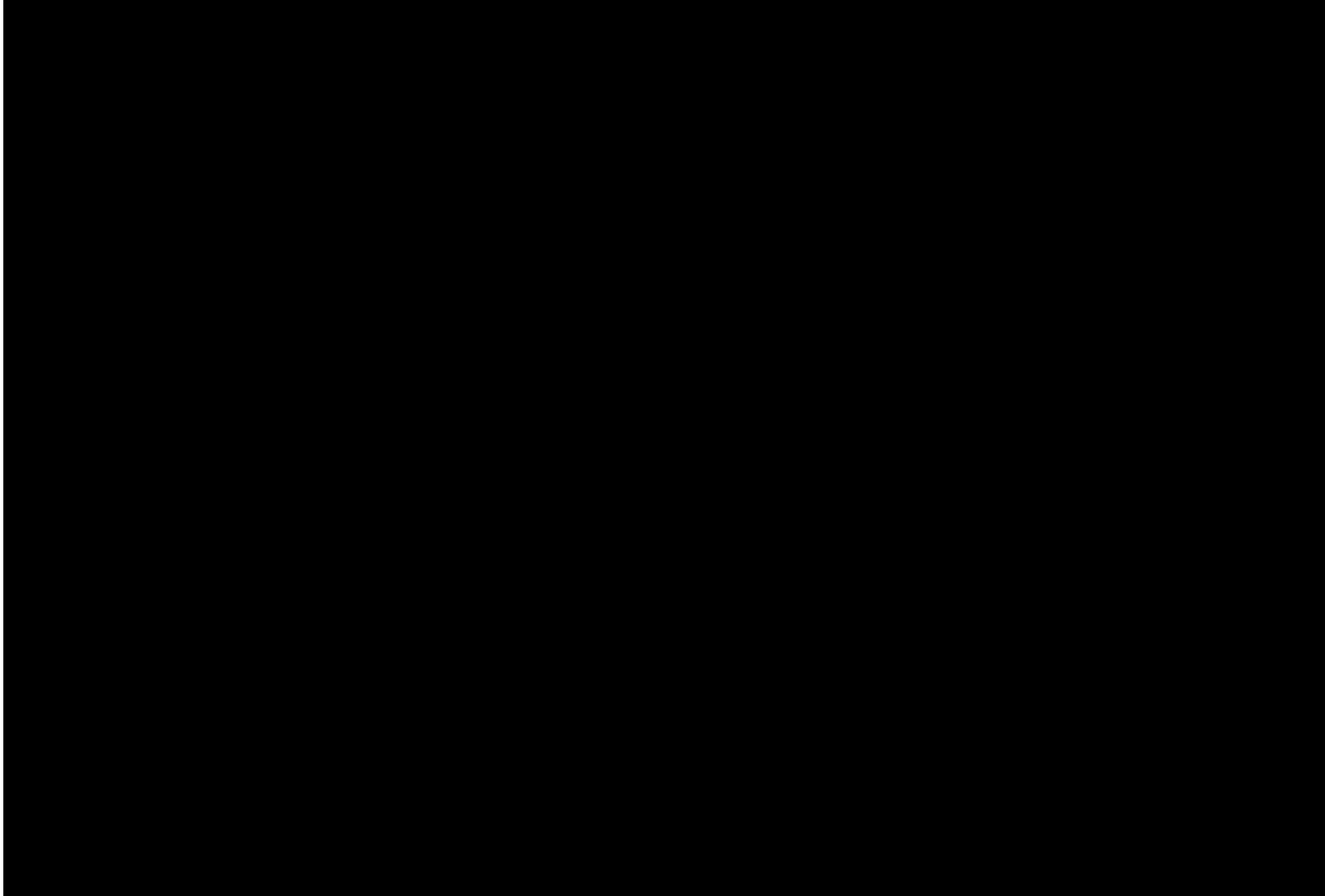
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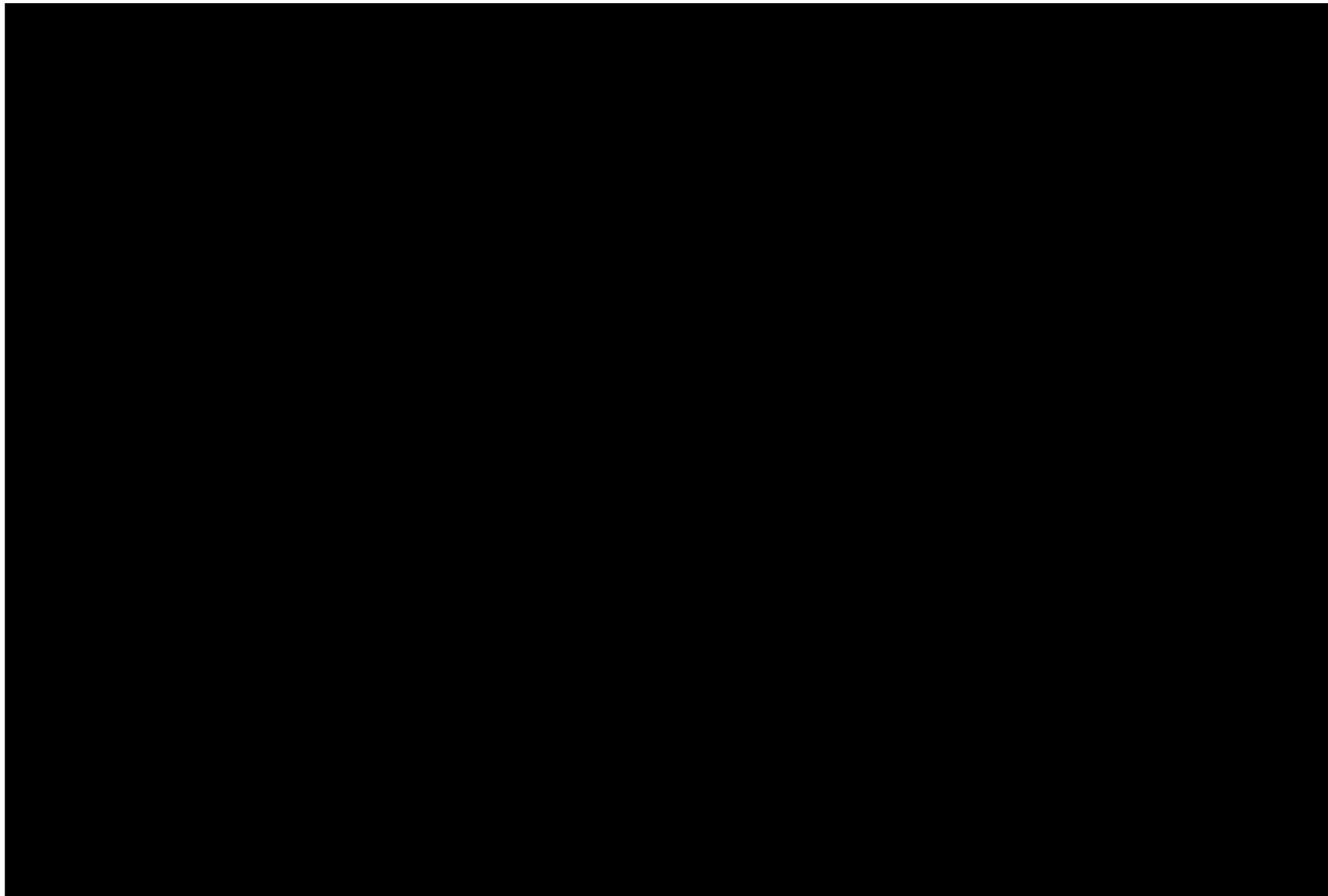
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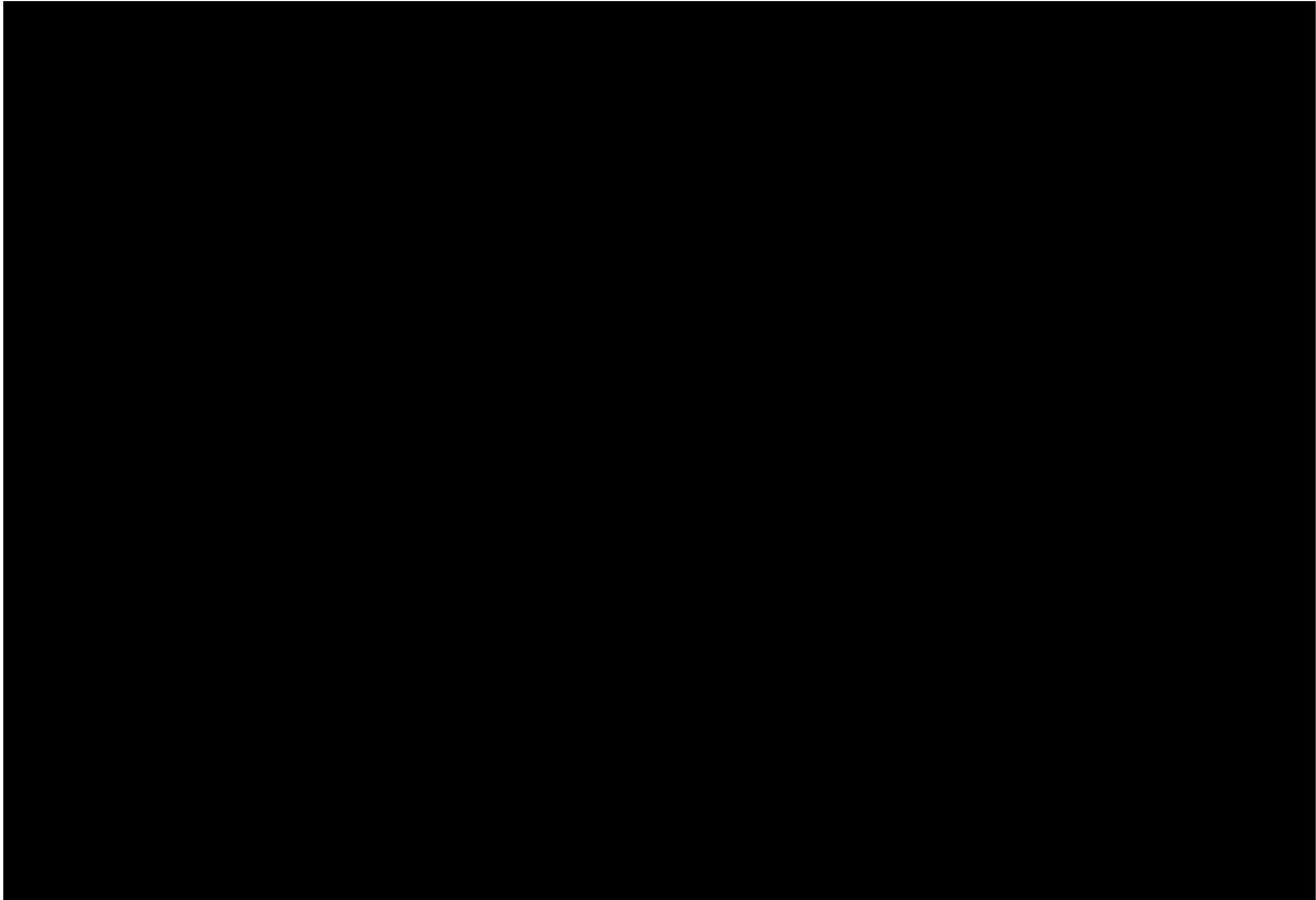
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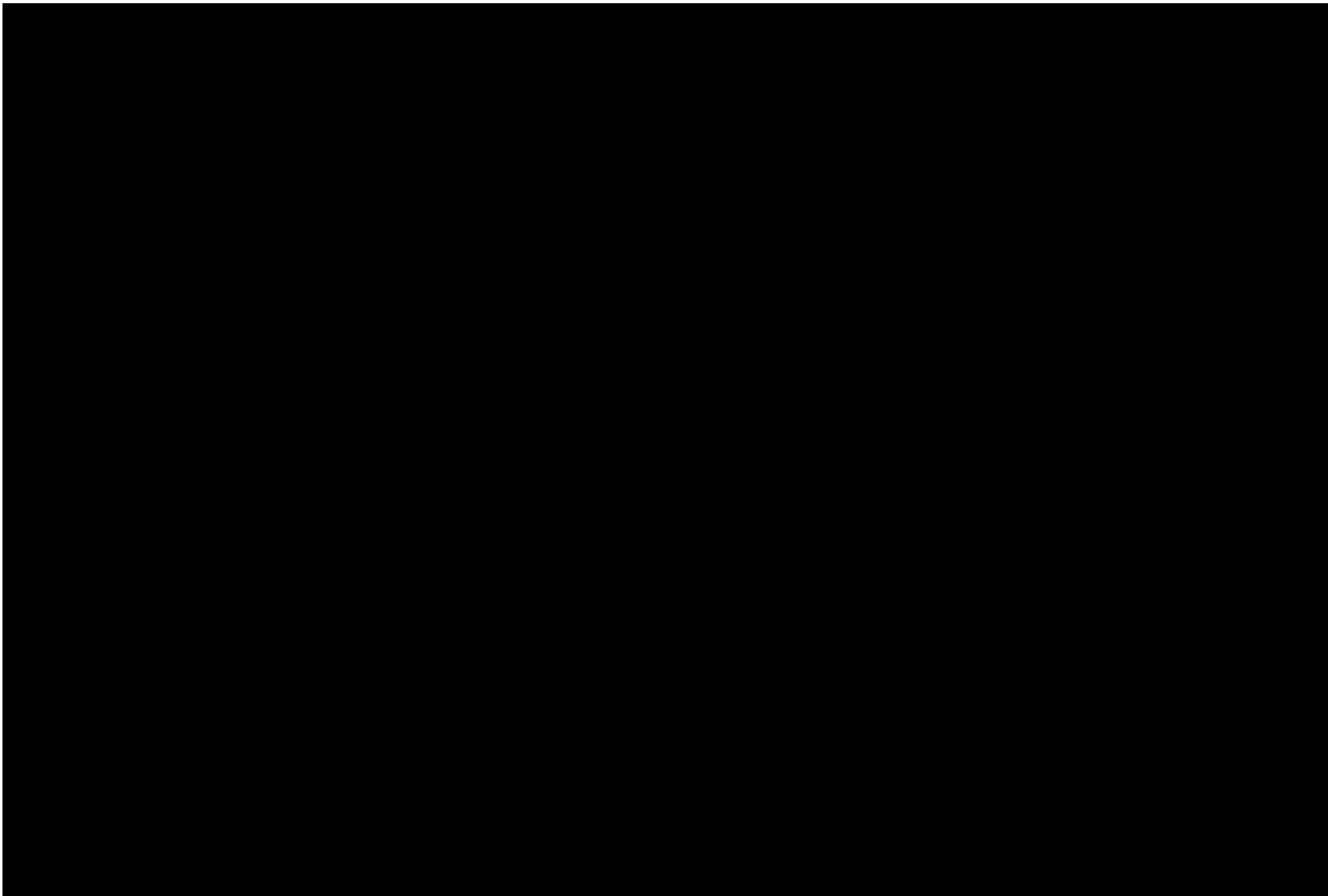
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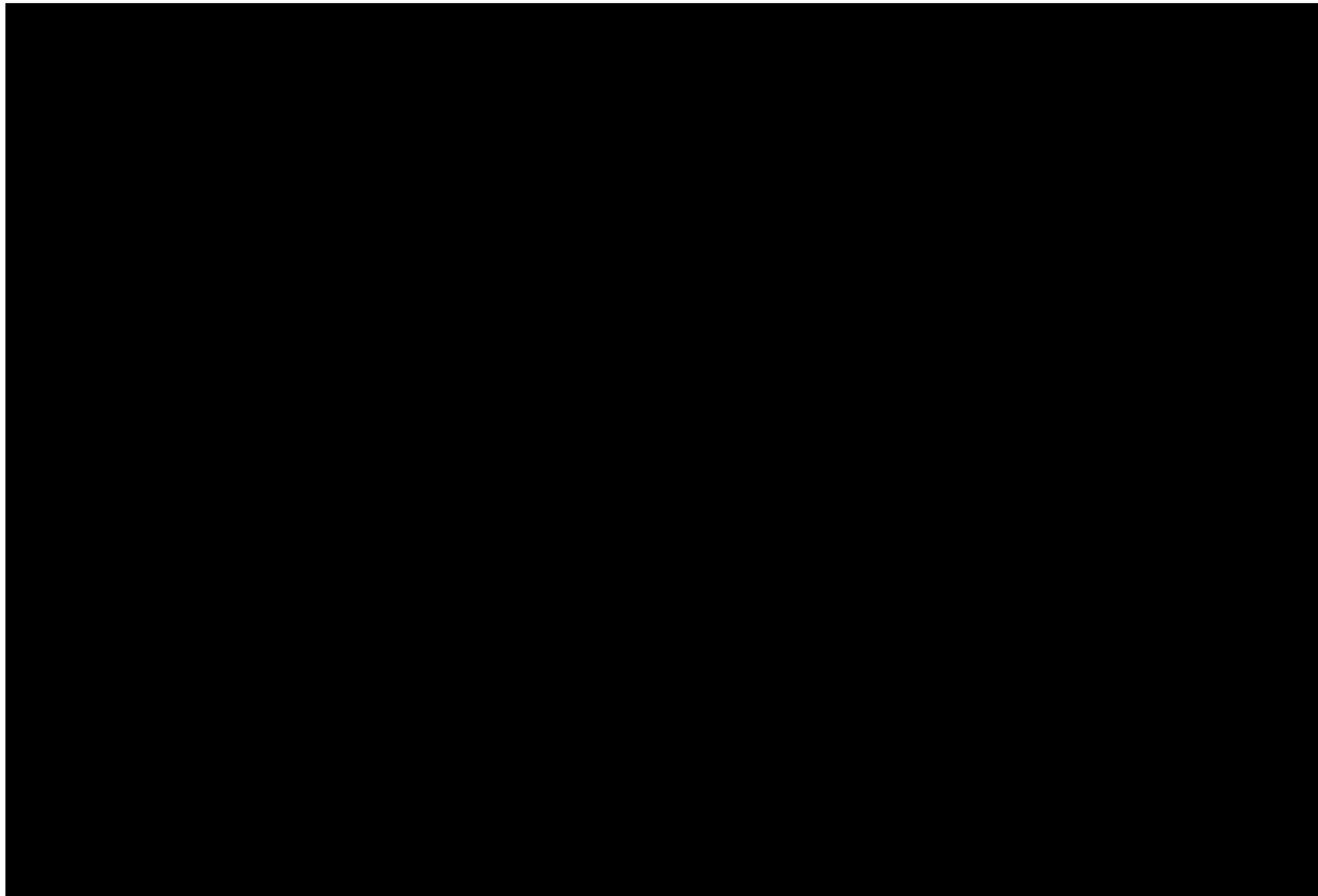
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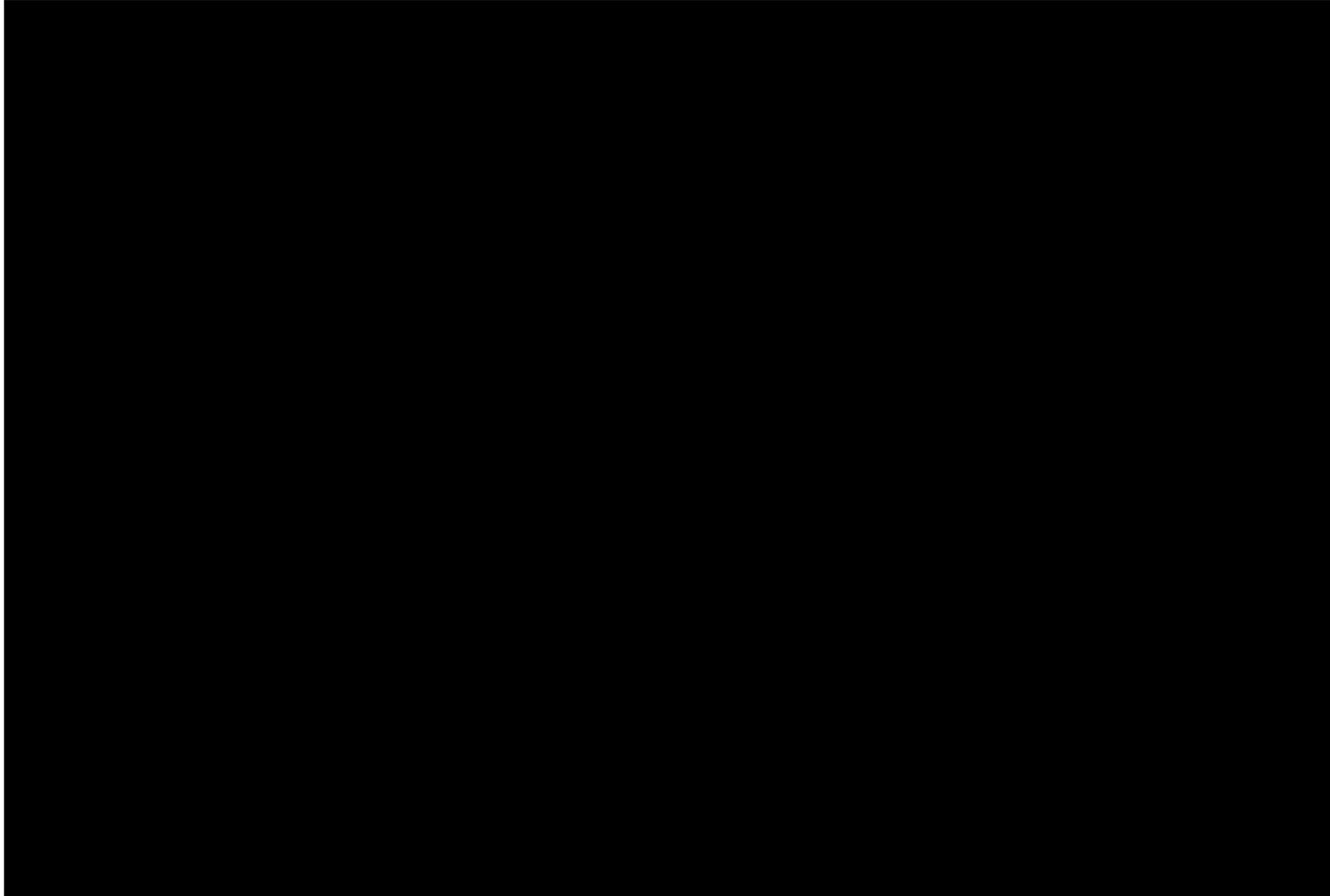
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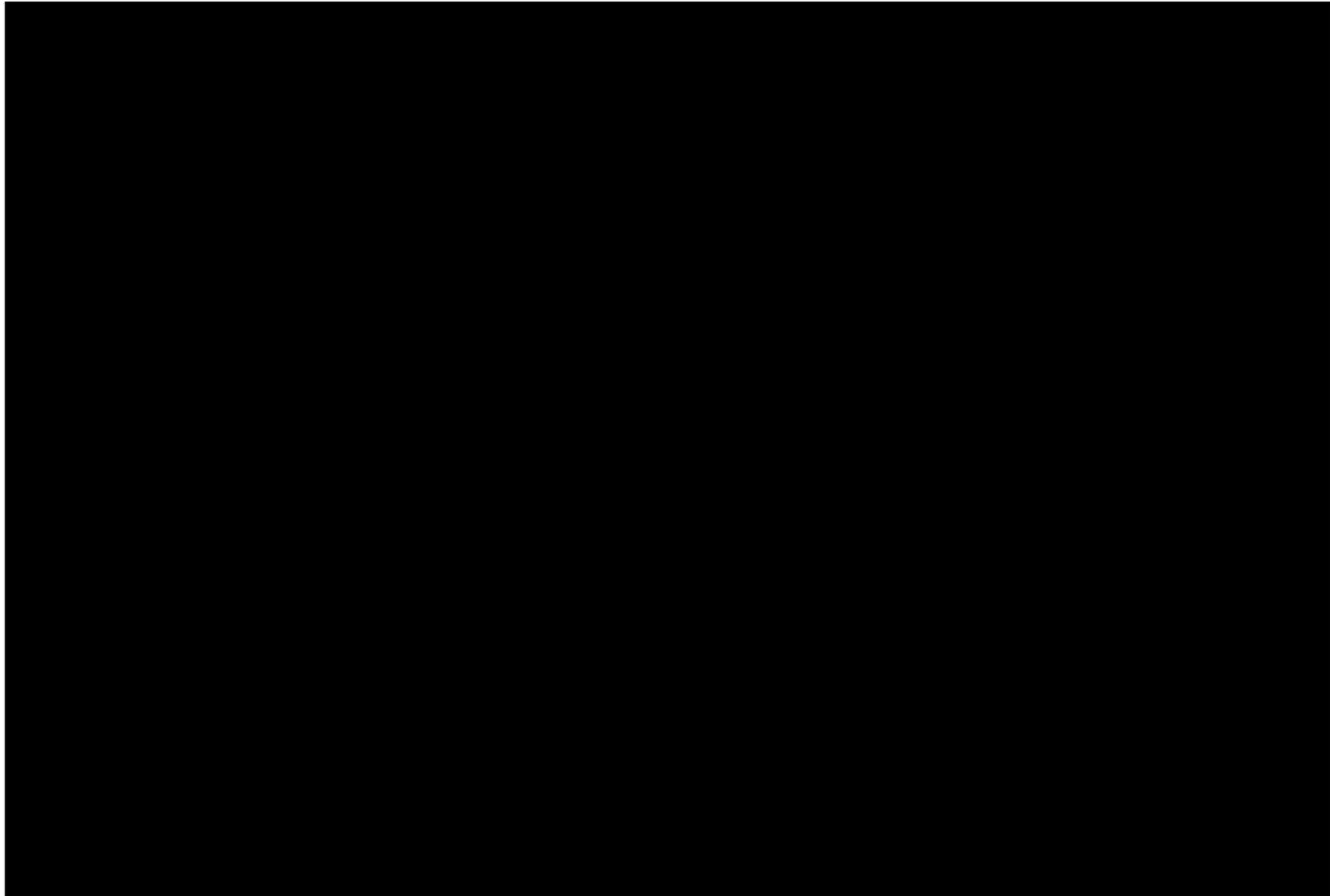
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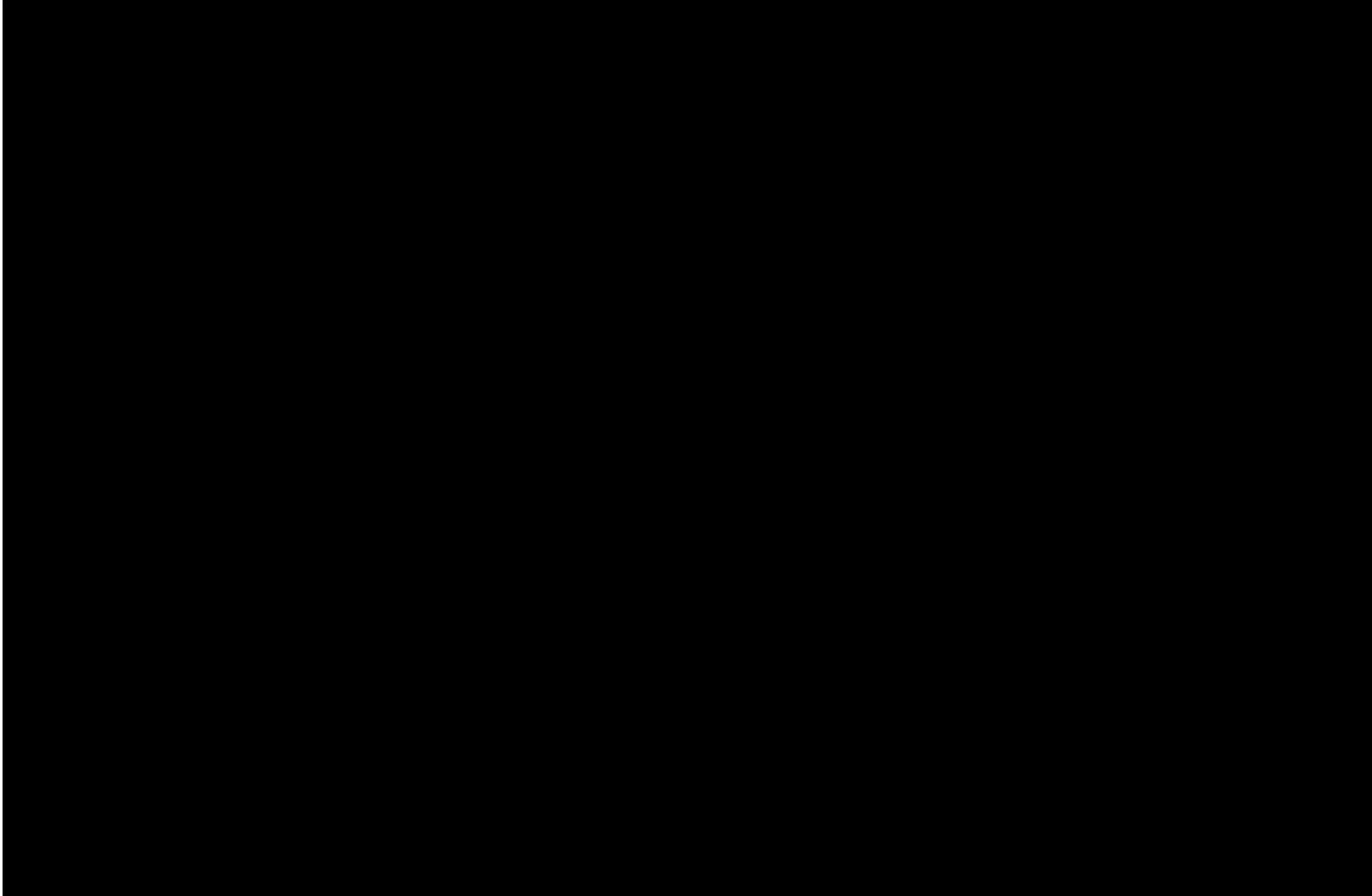
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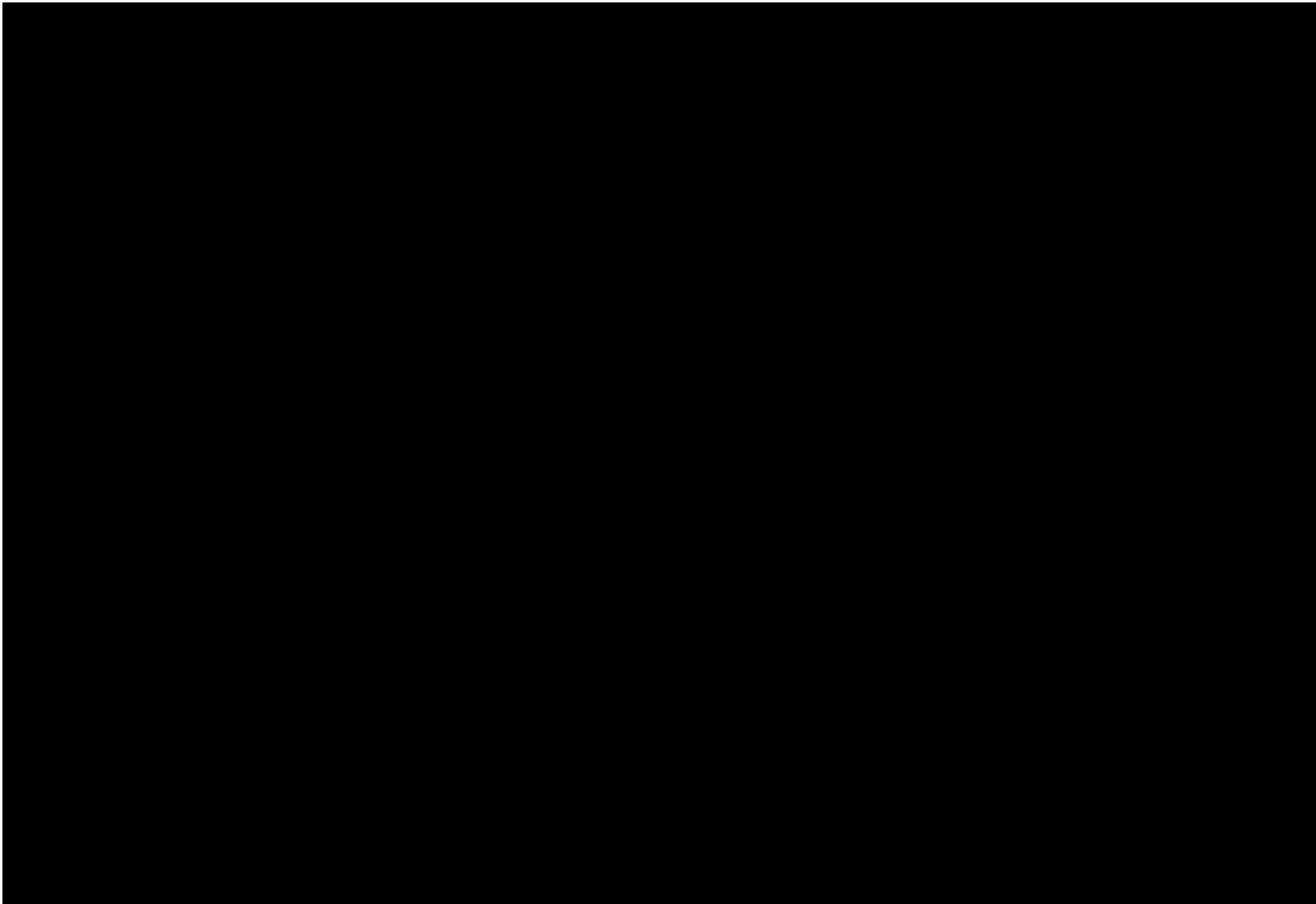
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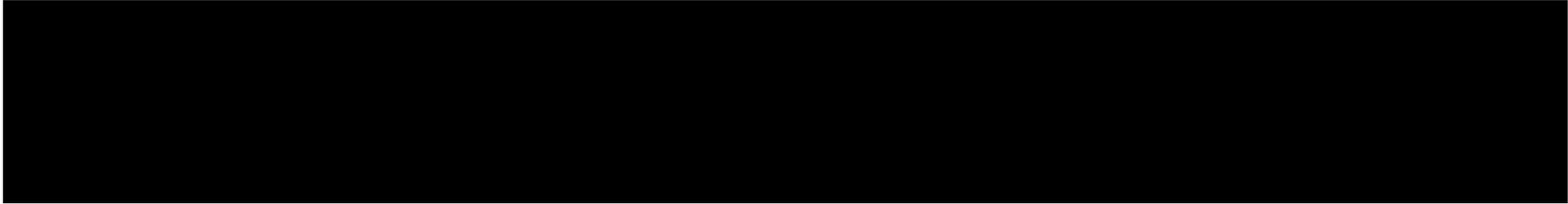
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PART D: PORTS**1 Interpretation**

- 1.1 For the purposes of this Contract the terms Port and Harbour shall be interchangeable but shall be interpreted as the situation requires.
- 1.2 References herein to the Harbour or Port apply to each and/or all of the Harbours and/or Ports, as appropriate.
- 1.3 The harbours shall be:

Harbours owned by	Other Harbours	Harbour Authority
CMAL		
Armadale	Ardrossan	PeelPorts - Clydeport
Brodick	Campbeltown	Argyll and Bute Council
Castlebay	Rothesay	
Claonaig	Port Askaig	
Colintraive	Craignure	
Coll	Fionphort	
Colonsay	Iona	
Cumbræ	Gigha	
Fishnish	Tayinloan	
Kennacraig	Lismore	
Kilchoan	Airdmhor	
Largs	Berneray	
Lochaline	Eriskay	
Lochboisdale	Leverburgh	
Lochranza	Lochmaddy	
Oban	Otternish	
Port Ellen	Eigg	
Portavadie	Muck	Highland Council
Rhubodach (<i>Isle of Bute</i>)	Raasay	
Tarbert (Harris)	Sconser	
Tiree	Uig	
Tobermory	Rum	

Harbours owned by CMAL	Other Harbours	Harbour Authority
Wemyss Bay	Mallaig	MHA
	Canna	NTS
	TLF	T(LF)HA
	Ullapool	UHT
	Stornoway	SPA

2 Harbour Operations

- 2.1 The Operator will be required to undertake all harbour operations and port service activities in line with the requirements of the relevant Harbour Authorities' Operations and Safety management systems and in line with industry best practice.
- 2.2 Each Port is an integral part of the community it serves and there may be additional activities which the Operator shall provide in order to maintain the lifeline services to the affected communities irrespective of whether it shall receive remuneration for from a third party.

3 Specific Harbour Operations and Provided Facilities (CMAL Harbours)

- 3.1 The Operator shall ensure all obligations relating to and as defined in the Harbour Operating Agreement are met and shall perform or procure all port or harbour activities required.
- 3.2 The Operator shall procure the provision of all facilities to ensure that the Services can be delivered efficiently and effectively. The facilities are included in the provisions below:
- 3.3 The Operator will implement the contractual undertaking detailed in column A of the table below on or before the milestone date listed in column B:

A: Contractual Undertakings	B: Milestone Date
All CFL funded features that do not comply to building regulations resolved	End CY1*
All Smart Ticketing early adopter ports upgraded	End CY2
Review and refresh Freight Services (Ardrossan / Brodick, Wemyss Bay / Rothesay and Mallaig / Small Isles)	By end of CY2
100% of Active Travel features implemented at all ports and slips	End CY2

A: Contractual Undertakings	B: Milestone Date
100% of Smart Ticketing features implemented	End CY3
80% of CFL funded upgrade projects completed	End CY2
100% of CFL funded upgrade projects completed	End CY3
Engage with CMAL, Councils and Harbour trusts to review and agree plans to implement IRD recommendations over CY1 to CY3	Contract Award
Network wide Inclusive Design Review	End CY5
Engagement with CMAL and port and slipway owners to review mid contract IDR findings and discuss implementation of its recommendations	Start CY6

3.4

1.3.5 Port Facilities Available to Customers

Service offerings and contractual undertakings

Investing to improve customer experience

We will spend just under £2 million across the first three Contract Years (CYs) to improve the quality and consistency of the customer experience across all of our ports. This spending is focused on CY1 and CY2 and is allocated approximately 50% to CY1, 45% to CY2 and a residual spend of 5% in CY3 to close the improvement programme and pick up late running projects.

In table 1.3.5 (b) below, we list the ports grouped by the facility owner to show the spread of funding across the 50 locations, funding allocated is £1,817,450. Additional funding for consultation work of £80k has been allocated for projects such as defining a wayfinding and signage strategy, which is spread across all locations and brings the total spend to £1,897,450.

Table 1.3.5 (b) port spend allocated as part of our proposal.

Our policy for port and slip investment across the entire network is defined as follows:

- » Port facilities will be accessible and inclusive by removing as many potential obstacles and barriers to customers as practical
- » Ports and slipways will be integrated with other public transport modes through provision of digital information boards showing connecting services and improved signage and wayfinding
- » Adequate shelter will be provided for pedestrians and cyclists at all locations to deliver a more attractive experience for customers that choose not to arrive by car
- » Several facilities will be upgraded to improve facilities for staff including changing areas and drying rooms
- » We will upgrade and add vending machines at certain ports and install CalMac TV at all ports to improve facilities for customers
- » We will perform a refresh of customer areas and help desk facilities including a review of the ticket counters to ensure that they are accessible to all customer groups

- » [REDACTED]
- [REDACTED]

An example of a working file for a single port (Castlebay) is included as 1.3.5 Appendix B. It is a single worksheet from a spreadsheet containing 50 worksheets covering the entire CHFS network (including Gourock as an important port of refuge for the services).

We classify the investments in our spreadsheet into the following high-level categories:

Inclusive Design Review related projects

We have allocated [REDACTED] of funding to:

- » Health and safety issues
- » Accessibility issues
- » Mandatory for current building regulations
- » Best practice for accessibility and inclusion
- » Features to be resolved through routine maintenance

Port staff feedback

We have allocated [REDACTED] of funding to:

- » Facilities for staff – changing rooms, wet rooms, showers
- » Buggies or golf carts to transport less mobile customers

Transport integration

We have allocated [REDACTED] of funding to:

- » Cycle shelters and parking
- » Active travel hubs
- » Cycle hire
- » Public transport information displays

Commitments related to other tender section commitments

We have allocated ████████ of funding to:

- » Catering
- » Retail
- » Entertainment
- » Active travel and public transport integration
- » Consistency of design and layout

Meeting customer requirements through our brand promise

Our customer plan for ports is guided by our brand promise '*Helping you get there*', built on an understanding of the different needs of our customers and stakeholders, whoever they are, whatever their reason for travel. We help:

- » Islanders and coastal communities by providing reliable and comprehensive lifeline services to enable them to live their lives and conduct their business
- » Local businesses by supporting the economic and social sustainability of the community, through tourism marketing and the display of arts and crafts
- » Tourists by understanding their specific needs and providing relevant information
- » The less able, by considering their needs and ensuring that our services are accessible and inclusive
- » Transport Scotland by providing a Service that satisfies customers and our communities, at an acceptable cost

In 1.3.5 Appendix A, we detail the facilities that are either currently procured as part of our harbour dues payment, or are public facilities that are made available for use at each location. Our ambition is to improve the level of accessibility for customers by jointly addressing the outputs and recommendations from our IDRs, in partnership with facility owners. For example, in main ports our specification incorporates a waiting room with an accessible toilet that meets current guidelines. For slipways we include provision of a covered shelter for foot passengers and cyclists as a minimum.

We will include port facilities in the annual customer satisfaction survey, enabling on-going customer insight and resulting actions, which will form part of the annual planning process in partnership with facility owners.

The benefits of this approach are:

- » Thorough planning to ensure that the right investments are made in terms of location and principles
- » Shared vision and raised aspirations with the facility owners and increased customer satisfaction with the facilities provided
- » Measurement and continuous, visible improvement of port facilities

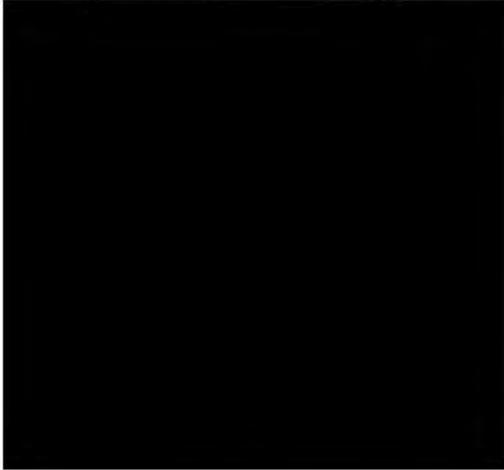
In planning for implementing improvements to port facilities we will work collaboratively with the facility owner. By jointly planning activities and working to a common objective we will minimise disruption to our customers.

a) Passenger waiting rooms (capacity, toilets, catering and disability adaptation)

In addition to existing facilities (1.3.5 Appendix A) that we will procure from facility owners, we have included funding in our proposal to deliver the following projects by end of CY3, which are listed by location in 1.3.5 Appendix C:

- » Delivery of the recommendations of our first phase of IDRs in partnership with facility owners, which includes improvements to accessible toilets, accessible parking bays, lighting, signage, doorways, ramps, counters, hearing loops and other location specific improvements. We have funded a second phase for CY1 to audit the remaining ports and slips that were not covered in phase 1, and have secured placeholder funding to address recommendations from phase 2.
- » Provision of an emergency / customer help point (facility) similar to that found on railway stations, which included a webcam connected to our Customer Care teams and sharing the same telephony system that the help point uses to minimise reliance on Wi-Fi or IT connectivity as part of our proposal for our Smart ticketing system that we will develop with Transport Scotland. We propose that these are placed at all ports and slip ways.
- » Ticket Vending Machines (TVMs) delivered through our Smart ticketing solution, initially rolling out on the three main Clyde routes to Arran, Cumbrae and Bute as well as the Ullapool / Stornoway and Oban / Craignure routes. These ports / routes carry the highest volumes of passengers and will provide a meaningful launch and test of the full Smart ticketing solution. We classify them as Smart Early Adopters. These TVMs will be sheltered inside the terminal building where practical, or outside in weather proof casings. We propose that all ports and the majority slips will be equipped by the end of CY3 as part of our Smart ticketing solution developed with Transport Scotland. Certain slips have such low footfall that a TVM cannot be justified and tickets will continue to be sold on-board, for instance the Small Isles.
- » Provision of free customer Wi-Fi by the end of 2016 at ports and manned slip ways.
- » Outside port offices, we will provide sheltered bicycle storage (plus Bike&Go locations at Oban, Brodick and Rothesay). We will support our customer marketing strategy in growing the appeal of the islands to active tourists (cyclists) and meet the challenge on the Arran route, by introducing new bicycle trailers loaded at the port office. Based on their success (to be evaluated in CY3) and demand on other routes, the units will be rolled out to other parts of the network. The importance we place on cycles and active travel is also reflected in our approach to port staff who will be encouraged to leave cars at home and take public transport, cycle or walk to work releasing space for customer parking and marshalling.
- » In selected main ports we will also have, by the end of 2017, digital screens, which will feature a combination of news, travel information, advertising and promotional content, linked to our marketing and entertainment strategies. We will purchase display cabinets to promote local artisan retailers at five major ports (on a non discriminatory basis), as part of our retail strategy and customer area refresh, and provide free use internet terminals at 5 main ports linked to our entertainment strategy, Ardrossan, Brodick, Oban, Ullapool and Stornoway.
- » Provision of baby appropriate changing facilities at all main ports supporting families travelling with young children.

- » In CY1 we will install mobile device charging stations at four main ports on the Clyde (Ardrossan, Brodick, Wemyss Bay and Rothesay) and, if successful (tested through customer survey), we will roll-out to the remaining manned port waiting rooms across the network in CY2.



For slipways we deliver the following improvements by the end of CY3:

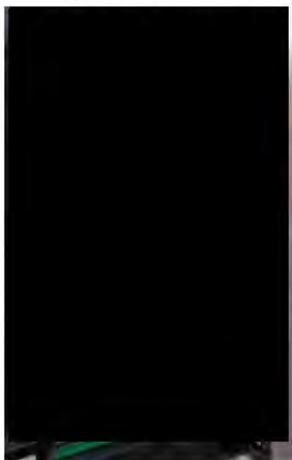
- » A covered customer / cycle shelter at all slipways
- » Delivery of the recommendations of the accessibility audit per port
- » Provision of an emergency / customer help facility proposed for our Smart ticketing solution developed in partnership with Transport Scotland

The benefits of this approach are:

- » Consistency of core customer experience and delivery of a set standard across the network
- » A flexible approach, responsive to local requirements

b) Catering facilities

In line with our catering strategy, we will ensure that the customer is aware of convenient options for food and drink. Where there is customer demand / commercial viability, without creating competition with an existing local business, we will provide a facility for customers to purchase food and drink. This will be via existing cafés within three port facilities; Ardrossan, Tobermory and Stornoway.



We will install vending machines at two new locations in CY1, these are Brodick and Uig and supplement the existing hot drinks vending machine with a combi food and drink machine at Oban, we will also upgrade the vending machine at Kennacraig and test a Pot Noodle 'Pot Shop' on the 2nd floor of the Oban terminal.

To minimise the local impact of any additional catering facility, we will also proactively promote local independent

Figure 1.3.5 (w) 'Pot Shop' will be tested at Oban in CY1

catering options (within close proximity of each port / harbour on a non discriminatory basis) to our booked customers who plan to visit the port. Where port owners plan to offer a new catering outlet at one of their ports / harbours, such as in the new Brodick terminal, we will work with them to assess the potential impact on the local community and encourage them to explore a partnership with social enterprise or local businesses.

c) Arrangements for receiving, securing, holding and returning left luggage

Based on demand, we will approach a third party specialist, such as Excess Baggage, who run left luggage facilities at Glasgow Central and Edinburgh Waverley, to identify if an investment in providing such facilities at Oban will work on a commercial basis. We will consult with the Ferry User Group that raised the request to understand if the security implications are clearly understood and whether there is still an appetite to use such a facility if searches were to be made and commercial pricing applied. We will complete this analysis and consultation in CY1.

This approach provides value for money and ensures that the service we provide adds real value to customers without compromising safety.

d) Real time information boards

We will extend the use of real-time information boards to all ports and will seek to create a technical solution that enables real time ferry information and other relevant integrated transport information such as rail, bus and road issues, incorporating weather updates. This will be complete by the end of CY2.



We will continue to maintain and operate Variable Message Boards (VMBs) at the following locations: Barra, Claonaig, Cumbrae, Eriskay, Fishnish, Iona, Kilchoan, Leverburgh, Lochaline, Lochmaddy, Lochranza, Otternish, Portavadie, Rhubodach, Sconser, Tarbert (Harris and Loch Fyne), Tayinloan, Broadford, Skye Bridge and Fort William.

The benefits of this approach are:

- » Engaging and attractive access to information for passengers
- » Faster delivery of information on other transport modes making multi modal journey connections easier

e) Passenger access provision to board the Participant's vessels

We have undertaken a review of passenger access provision to determine any additional requirements in line with vessel deployment and demand forecasts.

We have developed contingency plans to ensure that passengers can access the ferry through the car deck via linkspan should the normal passenger access system fail or a vessel is deployed on the route that does not fit the existing access system. These policies were demonstrated and proven during the closure of Wemyss Bay in the winter of 2015 / 16 where the vessels were redeployed to Gourrock. This closure coincided with the scheduled maintenance period for the existing vessels and the MV Coruisk provided cover. Foot passengers accessed the MV Coruisk via the car deck.

We have provided an allocation of [REDACTED] to investigate the deployment of electric carts to carry customers needing assistance to approach to the vessels at Port Ellen, Uig and Wemyss Bay.



f) Vehicle marshalling spaces (car, coach, HGV)

We will monitor traffic flow at all ports and use traffic management plans to make the most effective use of marshalling space. We will work with the harbour owners to alter and improve space where necessary to ensure the marshalling areas are maximised, safe and effective for the customer.

g) Longer term parking areas (car, coach and HGV along with any restrictions, charges and time constraints)

We will validate the need for additional long term car parking space at locations such as Oban, Craignure, Tobermory and Largs, and then identify low cost options for securing additional space. In particular, we will investigate options with the local community to form a partnership to source additional car parking space.

We will also consider other options to alleviate pressure on space. For example, at Craignure we will use an enhanced check-in procedure that allows the customer a defined window of time to check in for their reserved sailing, which ensures the flow of traffic is correct for the available marshalling space. We will use improvements to the reservation system and scanning technology to speed up the check-in process including providing mobile technology for staff to use.

As we develop any proposition around car clubs and electric cars, we shall automatically consider the requirement for additional space and will work with the local community and authorities to find a solution to challenges with current space.

h) Freight handling facilities provision



We will deliver the freight service for the Contract as shown below:

Table 1.3.5 (b) Freight handling facilities provision

From	To	Analysis	CFL WILL
Mallaig	Rum Canna Eigg Muck	We will refresh the service and provide it in CHFS2 on a commercial basis. Clear commodity quantity limits and refreshed premises and equipment so the service complies with freight and food handling legislation.	Continue the service with a substantial review CY1
Ardrossan	Brodick	Small Parcel Service with published rates - demand is declining by 30% and this decline is expected to continue with RET.	Continue the service as is. Review CY2.
Wemyss Bay	Rothesay	Small Parcel Service with published rates - demand is declining by 30% and this decline is expected to continue with RET.	Continue the service as is. Review CY2.
Raasay	Sconser	Freight handling service provided by 3rd party. CFL do not receive any income from this service so it is out of scope.	Out of Scope

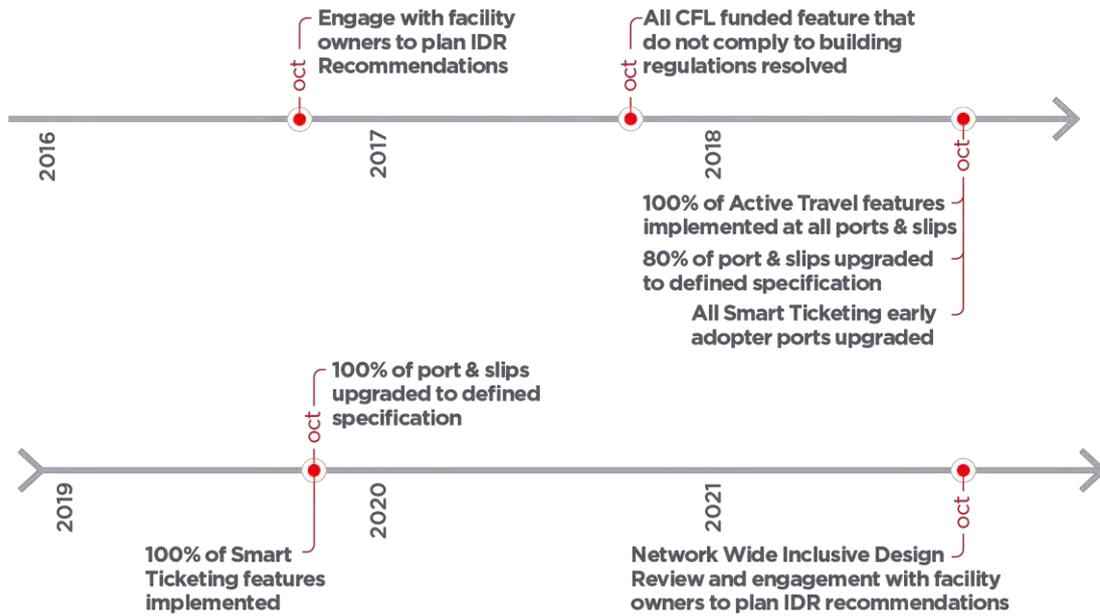
CFL will build on the list of features procured in 1.3.5 Appendix A and will invest in enhancements to customer facing facilities at all ports and slips across the CHFS network to deliver an accessible, inclusive, attractive, consistent and safe customer experience to all users of the ferry service. We will be mindful of customers travelling to and from the ferry on public transport and ensure that the wider built environment accommodates them and that the CHFS network is physically integrated into the public transport network.

We will work in partnership with the facility owners to ensure that health and safety issues and compliance with current building regulations and guidelines are met; we will do this with the minimum disruption to ferry services.

We will fund improvements to port facilities that will support the wider themes and requirements of the Contract including Smart ticketing, accessibility, transport integration, active travel, catering, retail and entertainment to deliver a modern and effective public transport network that will be fit for purpose for the diverse range of customers that use a true lifeline service.

This will be guided by our customer brand promise of 'Helping you get there'.

Service offerings and contractual undertakings milestones



Contractual Undertakings	Milestone Date
All CFL funded features that do not comply to building regulations resolved	End CY1*
All Smart Ticketing early adopter ports upgraded	End CY2
Review and refresh Freight Services (Ardrossan / Brodick, Wemyss Bay / Rothesay and Mallaig / Small Isles)	By end of CY2
100% of Active Travel features implemented at all ports and slips	End CY2
100% of Smart Ticketing features implemented	End CY3
80% of CFL funded upgrade projects completed	End CY2
100% of CFL funded upgrade projects completed	End CY3
Engage with CMAL, Councils and Harbour trusts to review and agree plans to implement IRD recommendations over CY1 to CY3	Contract Award
Network wide Inclusive Design Review	End CY5
Engagement with CMAL and port and slipway owners to review mid contract IDR findings and discuss implementation of its recommendations	Start CY6

*CY – Contract Year

1.3.5 Appendix A - List of Current Facilities that the operator currently procures as part of harbour dues

CMAL Ports (Gourock is included in our solution as an important port of refuge for some of the busiest routes on the CHFS network)

AMADALE: There is local authority car parking space next to the port, which gets very busy in the summer. The waiting area has 14 seats plus toilet facilities, including accessible and baby change facility. There are 55 car marshalling spaces of variable length. There are freight handling facilities with 3 trolleys / barrows available. Passenger access to the ferry is by Passenger Access System (PAS) in the summer and by PAS linkspan in the winter.

BRODICK: There are over 200 free car parking spaces along the shore front. The waiting area has 65 seats plus toilet facilities, including accessible and baby change facility. There is marshalling space for 130 cars or a mix of cars, HGV and coach. Passenger access to the ferry is via PAS for MV Caledonian Isles and gangway for MV Isle of Arran. Loose freight is transferred between ports by a company van.

CASTLEBAY: There is free car parking space available in the village. The waiting area has 11 seats plus toilet facilities, including accessible. There is marshalling space: 6 lanes with a capacity of 60 cars; these are suitable to take HGV traffic also. Passenger access to the ferry is via gangway.

CLAONAIG: There is limited car parking space available. The waiting area is a bus shelter style facility and there is a public toilet. There is marshalling space for 24 mixed vehicles. There is a variable message board. Passenger access to the ferry is via the slipway.

COLINTRAIVE: There is limited free car parking space available. There is a ticket office with 2 seats and there are nearby public toilets. There are 3 lanes for marshalling which can take 25m of vehicle traffic. Passenger access to the ferry is via the slipway.

COLL: The car park has 20 spaces and room for 2 HGV and there are no restrictions or charges. The waiting area has 150 seats and toilet facilities, including accessible. Passenger access to the ferry is via gangway. There is marshalling space for 25 cars and the large HGVs can wait in the area allocated for HGV parking, as mentioned above.

COLONSAY: There are 8 car parking space available without charge or restriction. The waiting area has 25 seats plus toilet facilities, including accessible and baby change facility. There is marshalling space: 5 lanes that can take 10 cars in each (50 in total); lane 5 is usual reserved for any HGVs but has been used for cars on exceptionally busy days. Passenger access to the ferry is via gangway.

CUMBRAE: There is free public parking and public toilets nearby. There is a variable message board. There are 12 car marshalling spaces and the marshalling area is on a public road. Passenger access to the ferry is via the slipway.

FISHNISH: This is a very small port with no direct facilities other than a single car marshalling lane. Passenger access to the ferry is via a ramp.

GOUROCK: The car marshalling area at Gourock can accommodate up to 90 cars with free parking available on site for approximately 25-30 vehicles (this will increase by another 35-40 spaces once Wemyss Bay reopens and reduce the marshalling

capacity to approximately 50 car spaces for Port of Refuge purposes). Passenger access for the Argyll Ferries is via the linkspan or boat steps. The waiting room seats 56 with disabled toilet and baby changing facilities in addition to male / female toilets. There is also an external and internal VMB for service disruption notifications to be displayed, in addition to TV Display screens which are also connected to BBC news.

KENNACRAIG: There is a long term car parking without restriction or charges, with 100 car spaces and a delegated HGV car park (although they should only be there for short periods as this is purely part of the dropped-trailer operation); there are delegated bus bays in front of the terminal building and a drop of area at the side of the building. The waiting area has 20 seats, with a vending machine, plus toilet facilities, including accessible and baby change facility. There are 6 marshalling lanes with space for 80 cars and there is a separate area for dropped trailers, totalling 8 HGVs. Passenger access to the ferry is via gangway.

KILCHOAN: There is limited car parking space available. The waiting area has 12 seats. There are nearby public toilets. There is a marshalling lane. Passenger access is via a ramp.

LARGS: The waiting area has 10 seats plus toilet facilities, including accessible and baby change facility. Passenger access to the ferry is via the slipway. There is public car parking nearby and charges apply.

LOCHALINE: There is some direct car parking space available. There are 12 car marshalling spaces and the marshalling area is on a public road. There is a variable messaging board. Passenger access to the ferry is via a ramp.

LOCHBOISDALE: There are 3 car parking spaces available. The waiting area has 10 seats plus toilet facilities, including accessible and baby change facility. Passenger access to the ferry is via gangway. There is car marshalling space: 6 car lanes / 35 cars; with 1.5 HGV / coach lanes with space for 4x17m vehicles.

LOCHRANZA: There is limited car parking available. The waiting area has 12 seats plus toilet facilities. There is marshalling space for 24 mixed vehicles. Passenger access to the ferry is via the slipway.

OBAN: There is a nearby short stay car park (20 minutes). The waiting area has 150 seats plus toilet facilities, including accessible and baby change facility plus there is a vending machine. There is marshalling space: for cars there are lanes 1, 2, 3 and 4 (all 84m long), lane 5 is 60m long and lane 6 is 30m long; for HGV / coaches there are lane 7 at 54m long, lane 8 at 51m long and lane 9 at 48m long; plus 4 holding lanes at 30m each. Passenger access to the ferry is by (one of two) PAS.

PORT ELLEN: The waiting area has 22 seats plus toilet facilities. There is adequate car marshalling space. Passenger access to the ferry is via gangway.

PORTAVADIE: There is limited free car parking without restriction for 8 cars. The waiting area has 6 seats plus toilet facilities, including accessible. There is marshalling space for 6 to 8 cars. There are freight handling services. Passenger access to the ferry is via the ramp.

RHUBODACH: There is free car parking space available for 15 cars without restrictions. There is a single track lane for marshalling which is 130m long. Passenger access to the ferry is via the slipway.

TARBERT (Harris): There is long term local authority car parking within a 2 minute walk of the terminal with no charges, no restrictions and 55 spaces. The waiting area has 52 seats plus toilet facilities, including accessible and baby change facility. There

is marshalling space: 9 car lanes, 1 CV / coach lane; lane 1- 35m x 2.5m = 7 cars, lane 2 - 50m x 2.5m = 10 cars, lane 3- 61m x 3m = 12 cars, lane 4- 76m x 2.5m = 15 cars, lane 5- 92m x 2.5m = 18 cars, lane 6 - 79m x 5.0m tapering to 3.5m, which is the HGV / Coach lane; lanes 7,8,9 and 10 are short lanes which take a total of 10 cars. Passenger access to the ferry is via gangway.

TIREE: There is free long term car parking space available without restrictions. The waiting area has 22 seats plus toilet facilities, including accessible and baby change facility. Passenger access to the ferry is via gangway and ramp if necessary. There is marshalling space: 8 lanes for Oban (including 2 lanes for HGVs) and 1 lane for Coll – total of 70 spaces.

TOBERMORY: There is nearby public car parking available. The waiting area has only 1 seat and there are nearby public toilet facilities plus a third party cafe. There is a marshalling lane. There are freight handling facilities. Passenger access to the ferry is via a ramp.

WEMYSS BAY: There is nearby chargeable car parking available at the train station. The waiting area has 46 seats and there are nearby public toilet facilities at the train station. There is marshalling space: 2 HGV lanes, 7 car lanes and 2 car lanes for cars whose passengers need to access the onboard lift - space for 50 cars and 4 HGVs. Passenger access to the ferry is via PAS. There is a small parcel freight service.

Non CMAL Ports

ARDROSSAN: There is a large (500 space) chargeable car park operated by Lochshore on behalf of Peel Ports / Clydeport: £3 charge for first 24 hours, £2 per 24 hours thereafter; it can accommodate cars / motorhomes for any length of time; coaches / HGV's parked at rear of terminal building on spare ground with permission from Peel Ports / Clydeport and no charges apply for this. The waiting area has 150 seats, plus a café and toilet facilities, including accessible and baby changing facilities. There are 7 lanes available to marshal traffic; each lane can hold 100 cars, if cars only, or 70 cars plus commercial traffic. There are freight handling facilities: loose freight sent port to port via company van; no long term storage options at Ardrossan; apart from liquid nitrogen and medical oxygen no other gases handled and no foodstuffs other than ships stores. Passenger access to the ferry is via PAS for MV Caledonian Isles and gangway for MV Isle of Arran.

ARDMHOR: There is free car parking. The waiting area has 10 seats, plus toilet facilities, including accessible. There are several marshalling lanes. There is a variable message board. Passenger access to the ferry is via a ramp.

BERNERAY: There is free public car parking. The waiting area has 24 seats, plus toilet facilities. There are several marshalling lanes. There is a variable messaging board. Passenger access to the ferry is via ramp.

CAMPBELTOWN: There is limited car parking space. The waiting area has 24 four seats, plus limited access toilet facilities. There is a large marshalling space. There are freight handling facilities. Passenger access to the ferry is via a ramp.

CANNA: The waiting area has 4 seats. Passenger access to the ferry is via ramp or on occasion gangway.

CRAIGNURE: There is a large car park nearby without charges and restrictions for all vehicles. The waiting area has 8 seats and toilet facilities, including accessible. There is marshalling space for 90 cars over 5 lanes; lanes 1 and 2 for cars, lane 3 for vans, lane 4 for HGV / coaches and lane 5 for non-reserved traffic. Passenger access to

the ferry is via PAS but it can only access certain vessels; it has a linkspan for vehicle access which is also used for passenger access when the PAS cannot be used.

EIGG: The waiting area has 10 seats, plus toilet facilities, including accessible and baby changing facilities. Passenger access to the ferry is via ramp.

ERISKAY: There is free car parking. The waiting area has 15 seats, plus toilet facilities, including accessible. There is a marshalling lane. There is a variable message board. Passenger access to the ferry is via a ramp.

FIONNPHORT: There is pay and display and free car parking nearby. The waiting area is a portacabin with 2 seats. There are nearby public toilet facilities, including accessible. There is marshalling space for 7 cars on the slip. There is a variable message board. Passenger access to the ferry is via ramp.

GIGHA: There is free car parking for 20 cars without restriction / charge. The waiting area is owned by the local authority and has 40 seats plus toilet facilities, including accessible. There is marshalling space for 8 cars. There is a variable message board. Passenger access to the ferry is via the ramp.

IONA: There are nearby public toilet facilities, including disabled. There are several car marshalling lanes. There is a variable message board. Passenger access to the ferry is via a ramp.

LEVERBURGH: There is free public car parking nearby. The waiting area has 24 seats plus toilet facilities, including accessible and baby change facilities. There are several marshalling lanes. There is a variable message board. Passenger access to the ferry is via a ramp.

LISMORE: There is free parking space for 15 cars without restriction. There are 8 car marshalling spaces. Passengers access the ferry by ramp.

LOCHMADDY: There is free long term car parking without restriction. The waiting area has 40 seats plus toilet facilities, including accessible and baby change facilities. Passenger access to the ferry is via gangway or ramp. There are 14 lanes for marshalling vehicles.

MALLAIG: There is marshalling space: 6 car lanes and 2 separate lanes for coaches / HGVs. The waiting area has 14 seats plus toilet facilities, including accessible and baby change facilities. There are freight handling services with 3 freight vans, a forklift and a storage container. Passenger access to the ferry is via gangway for the Coruisk and the stern ramp for the Lochnevis the majority of the time, but on a Saturday and evening in the summer a gangway is used.

MUCK: Passenger access to the ferry is via ramp.

PORT ASKAIG: There are 30 car parking spaces with no restrictions or charges. The waiting area has 30 seats plus toilet facilities, including accessible and baby changing facilities. There is adequate car marshalling space. Passenger access to the ferry is via gangway.

RAASAY: There is car parking for 14 car spaces (including 2 disabled). The waiting area has 20 seats plus toilet facilities. There is 1 marshalling lane with 14 car spaces or equivalent with mix of HGV / cars. Passenger access to the ferry is via slipway or ship's ramp.

ROTHESAY: The waiting area has 27 seats plus toilet facilities, including accessible and baby change facilities. There is a marshalling area with 5 lanes for 54 cars and 2

lanes HGVs / coaches (100m). There is a small parcels freight facility. Passenger access to the ferry is via PAS.

RUM: The waiting area has 5 seats. Passenger access to the ferry is via ramp.

SCONSER: There is free parking with 28 car spaces (including 2 disabled). The waiting area has 10 seats plus toilet facilities, including accessible. There is marshalling space: 2 car lanes / 10 cars per lane (20 total); 1 HGV lane (1 x 17m artic + 10m rigid). There are freight handling services with 1 store (loose freight to Raasay). There is a variable message board. Passenger access to the ferry is via slipway or ships ramp.

STORNOWAY: There is substantial free long term parking. The waiting area has 110 seats plus toilet facilities, including accessible and baby changing facilities, plus a third party cafe. There is car marshalling space. Passenger access to the ferry is via PAS.

TARBERT / Loch Fyne: There is limited free car parking without restriction for 8 cars. There is a bus style covered shelter nearby. There is marshalling space for 6 to 8 cars. There is a variable message board. Passenger access to the ferry is via the ramp.

TAYINLOAN: There are 30 free car parking spaces without restriction. The waiting area has 6 seats and toilet facilities. There is marshalling space for 12 cars. There is a variable message board. Passenger access to the ferry is via the ramp.

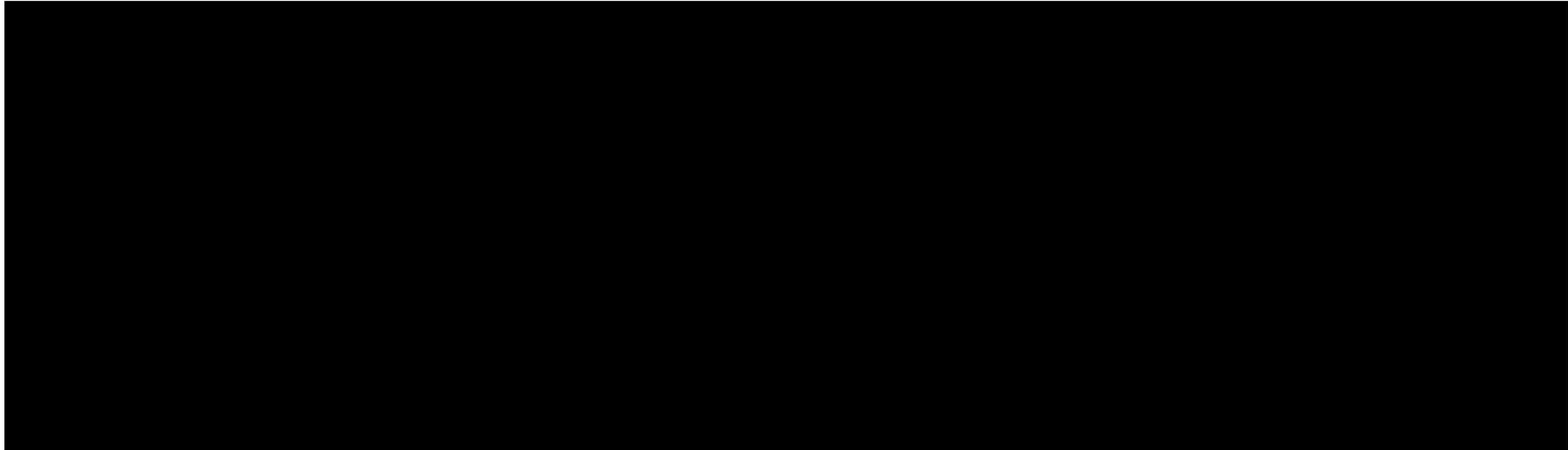
UIG: There is parking for 5 HGV / coach and 40 cars (plus 2 disabled spaces). The waiting area has 25 seats plus toilet facilities, including accessible and baby changing facilities. Passenger access to the ferry is via gangway. There is marshalling space: 4 lanes with 18 cars per lane (in total 72 cars); 3 HGV lanes with 3 x 17m HGVs and 1 x 10m rigid per lane.

ULLAPOOL: Free local parking without restriction. The waiting area has 78 seats plus toilet facilities, including accessible and baby changing facilities, plus a vending machine. There is marshalling space: cars - up to 130 cars in the two marshalling zones, including a designated Disabled Vehicle Lane; 9 designated commercial vehicle bays, but during freight operations space to accommodate 18 commercial vehicles. Passenger access to the ferry is via PAS with linkspan support.

1.3.5 Appendix B – Example of spreadsheet showing a detailed port improvement proposal

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1.3.5 Appendix C – Proposed facility investment plan by port

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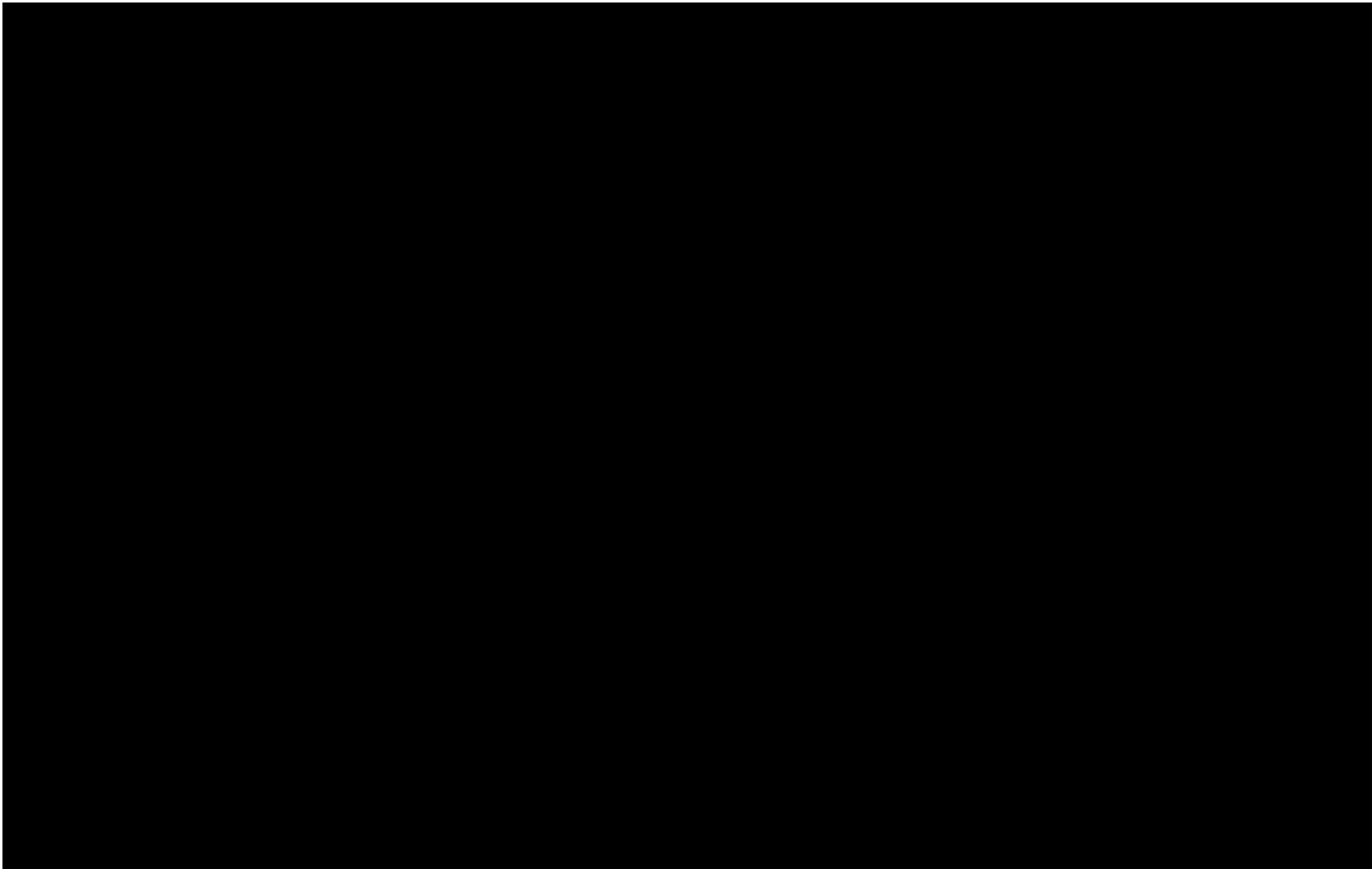
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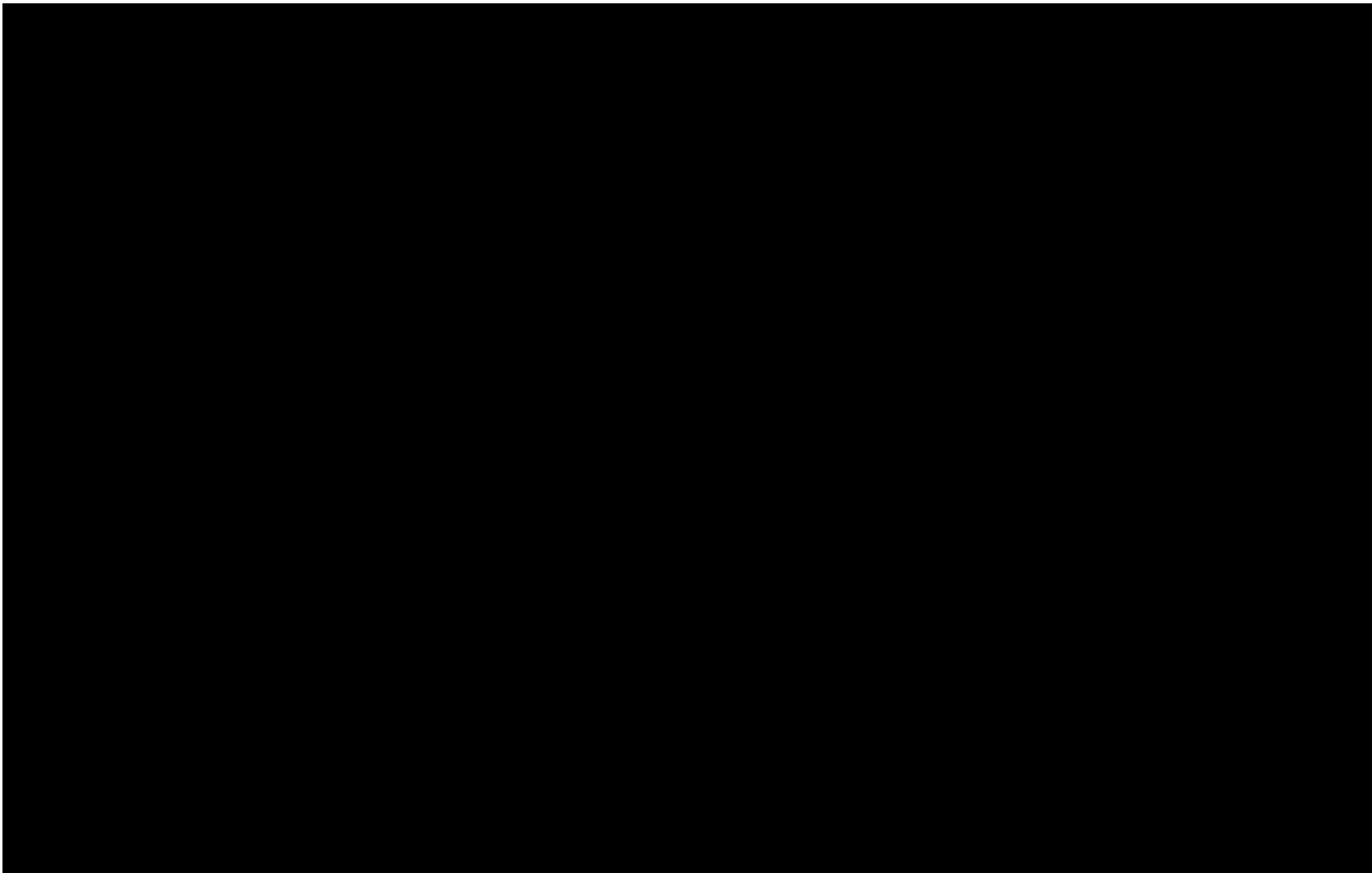
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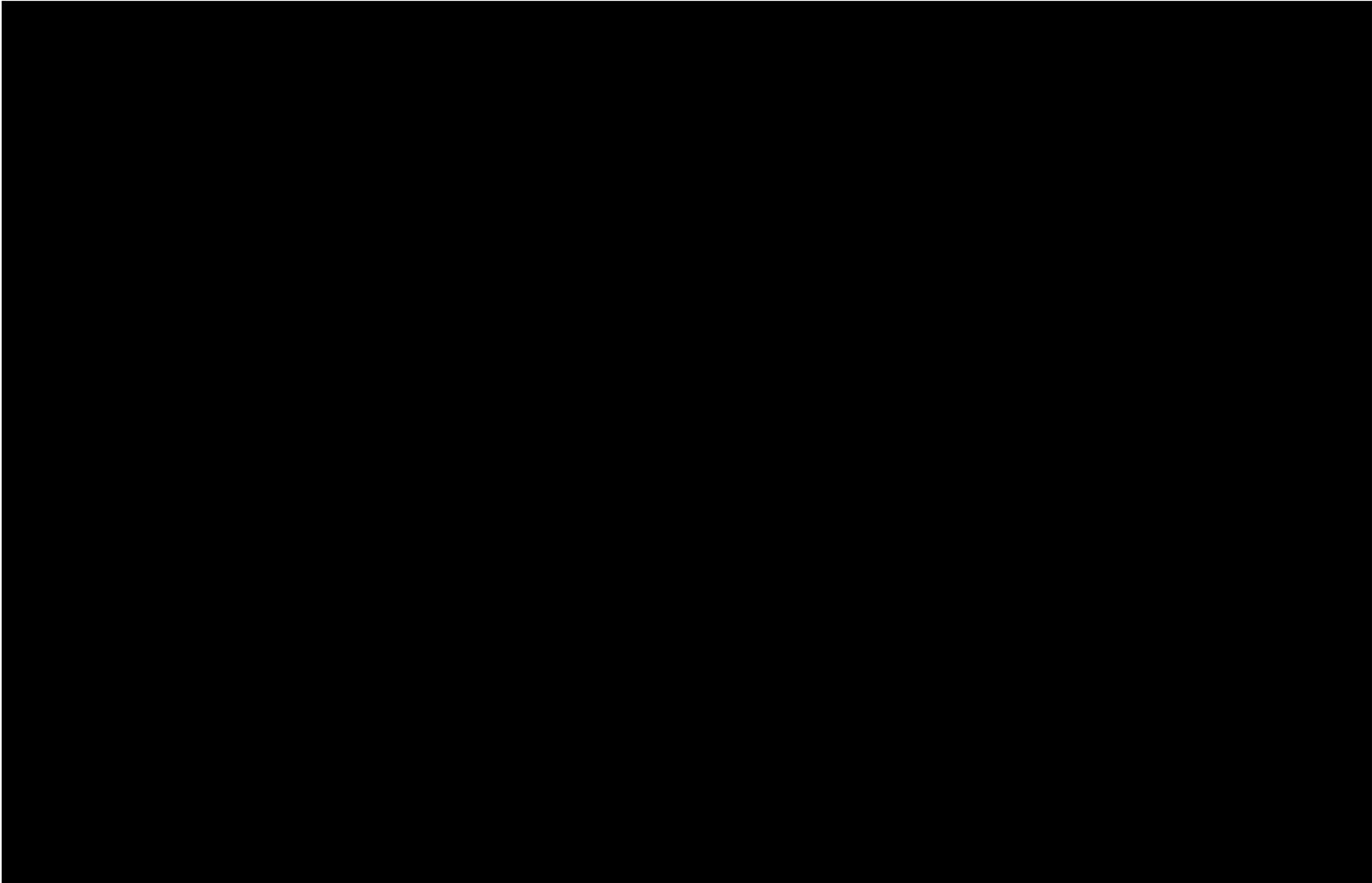
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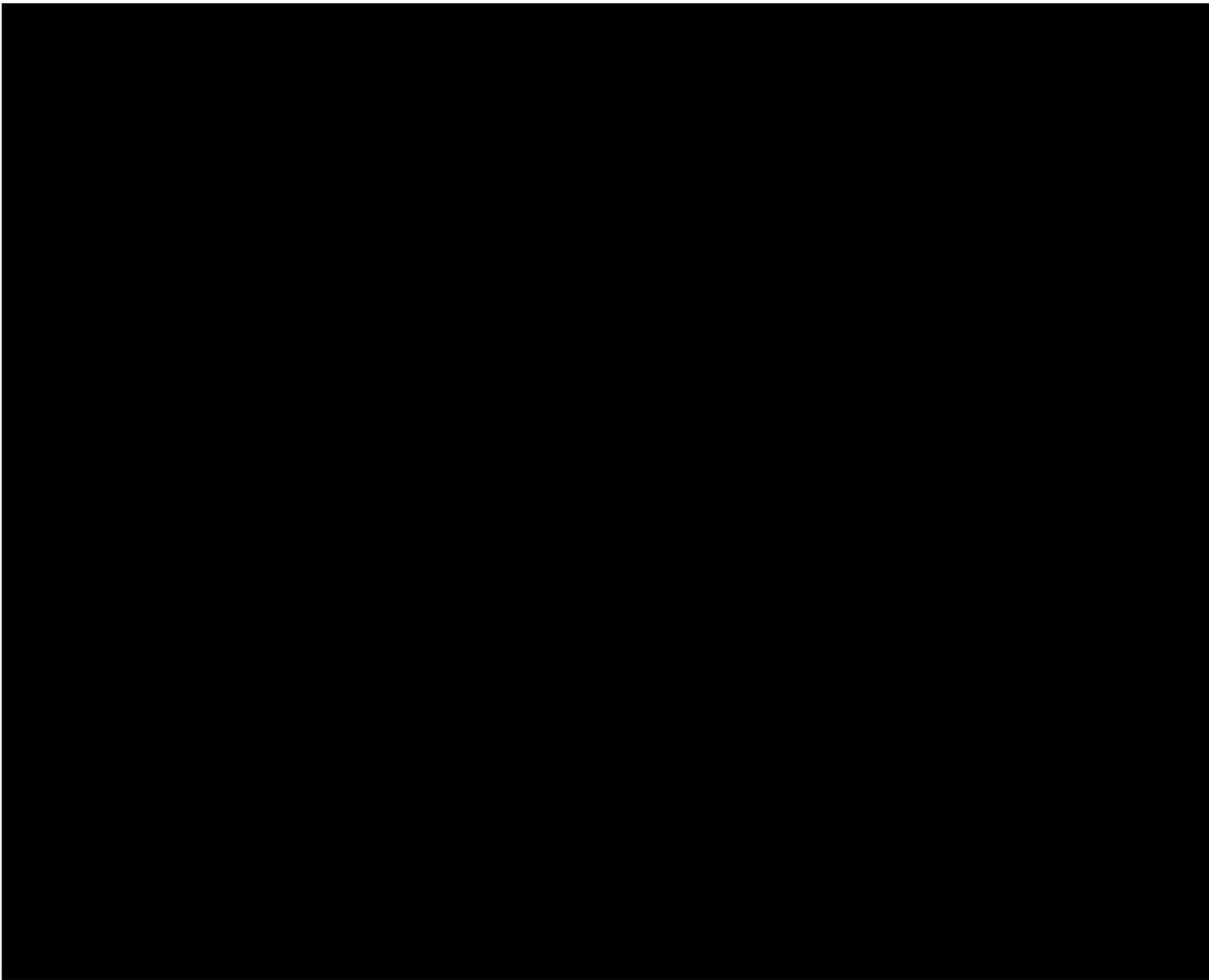
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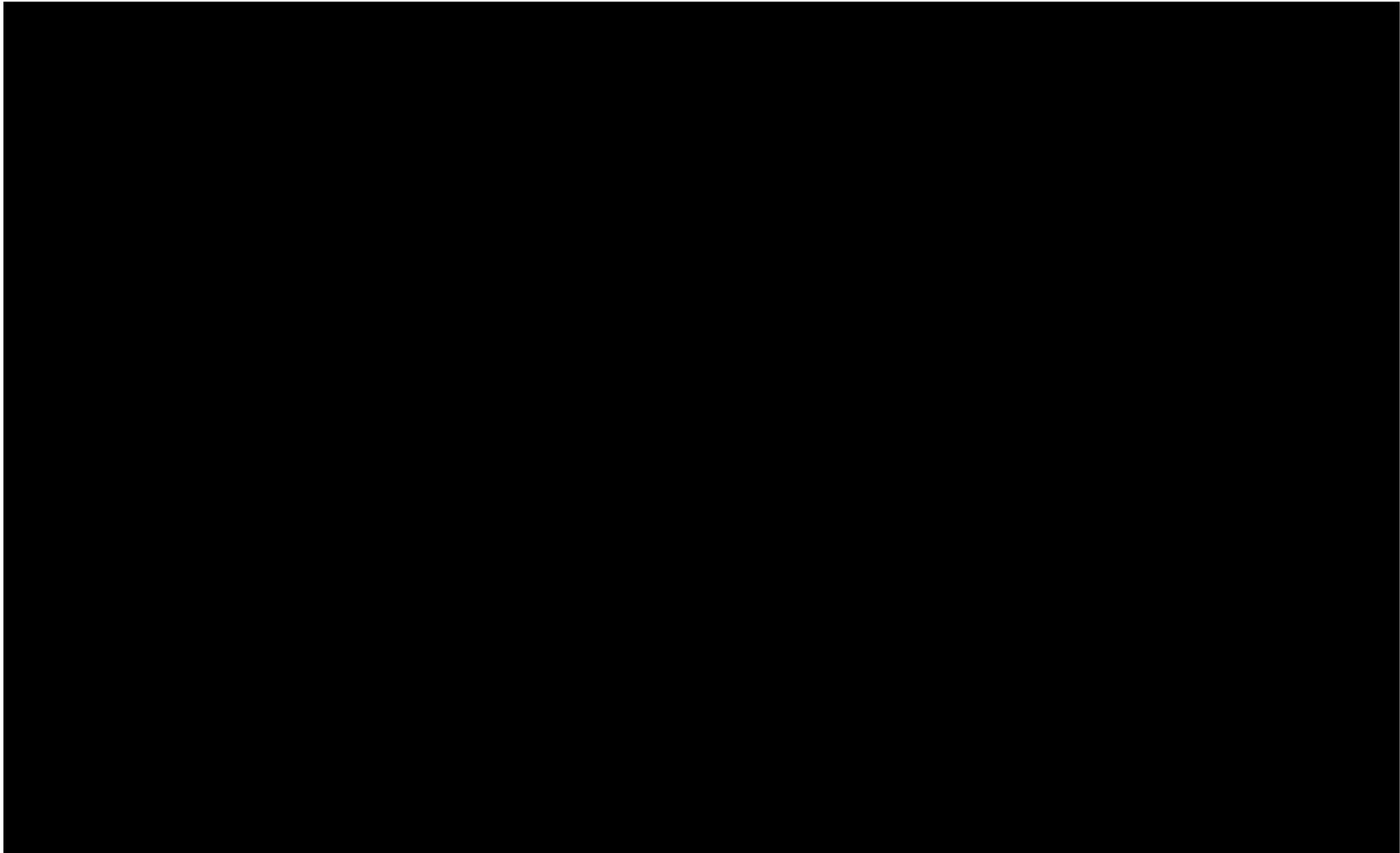
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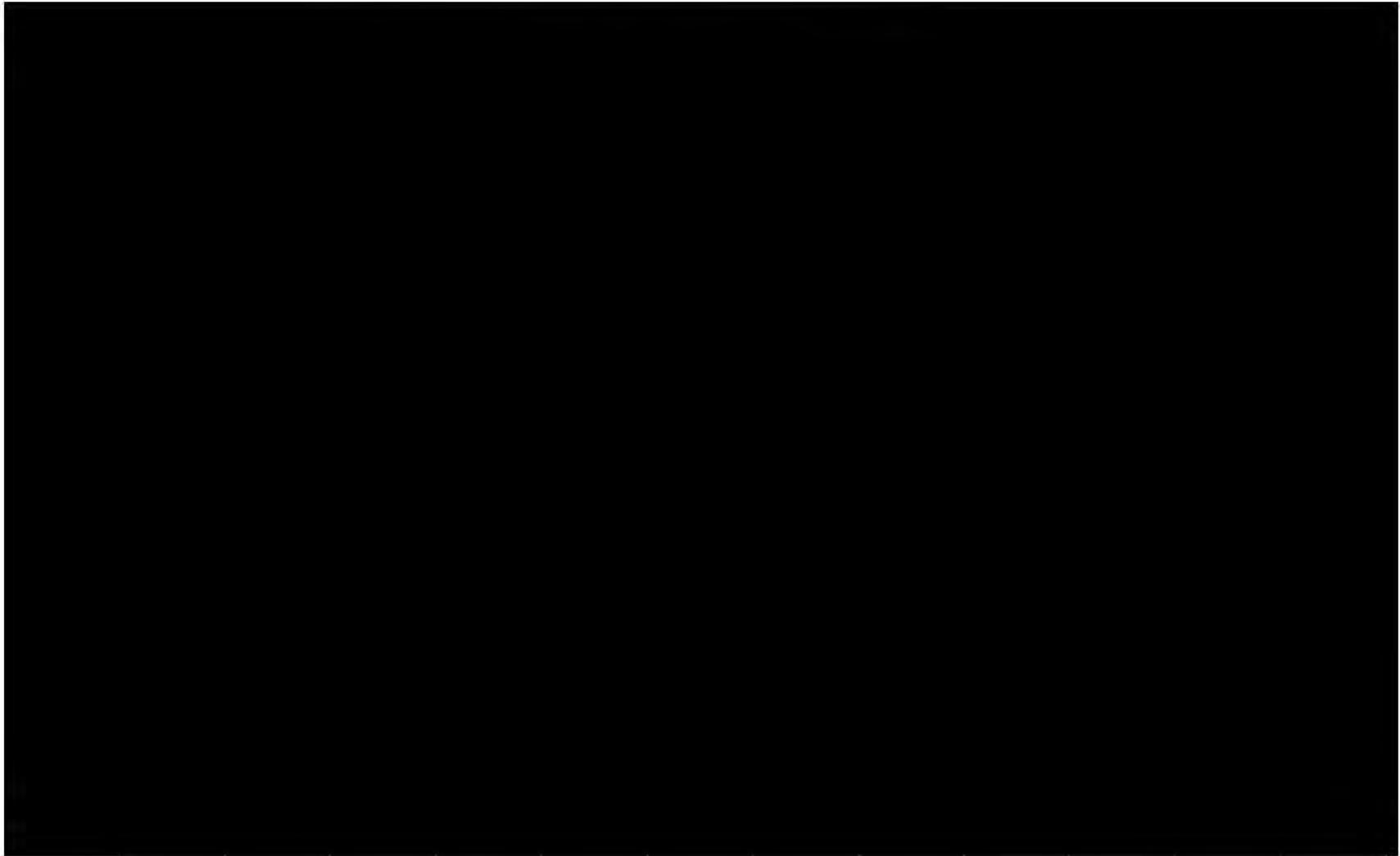
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4 Harbour Services (Non CMAL Harbours)

- 4.1 The Operator shall perform or procure all port or harbour activities required and provide facilities to ensure that the Services can be delivered efficiently and effectively. The Operator shall keep all such port facilities in a proper, neat and tidy order and condition and free of all litter.
- 4.2 The activities that the Operator shall perform are:

1.3.4 Port and Harbour Facilities to be Undertaken by the Operator

Service offerings and contractual undertakings

The Director of Service Delivery will provide certainty to Transport Scotland that Clyde and Hebridean Ferry Services will be successfully delivered from non-CMAL ports. Robust management reporting will demonstrate our ability to derive best value for money whilst paying for services.

Supported by the dedicated team, the Director of Service Delivery will ensure that responsibility and accountability for each activity or facility is clearly noted and agreed with port owners after Contract Award in May 2016, continuing through mobilisation July-September 2016 for commencement on 1st October 2016.

CFL will provide a process, platform, resources and terms for harbour authority agreements, and will negotiate these terms with individual port owners. Outcomes of this process will vary between port owners and we are, therefore, unable to commit to firm agreements until the process is fully developed.

We will support our objectives by:

- » Agreeing amounts currently paid by CFL in dues for each activity at the non-CMAL ports
- » Operating the ports within our quality management and safety framework through our Port Operating Manual (POM). We will review this management system in conjunction with our port partners
- » Clarifying duties of our staff in each location with clear lines of responsibility and accountability for all parties. We will specify to each port owner the services and facilities that are required in each port, over and above those which already exist, to effectively meet the requirements of the Service.
- » Identifying the gap between what exists today at each port and facilities that epitomise a 'model port'. Each port owner will then determine what costs, if any, are associated with providing such services and facilities.
- » Obtaining clarification on charging structures, and indications of price for services, harbour access dues and any other fees from each port owner for the duration of the new Contract by February 2016.
- » Involving the port partners in our emergency response and contingency planning

- » Collaborating with port owners to perform 'port health checks' where each port is reviewed and findings shared with the owner. Reviews will be carried out by the two CFL Regional Harbour Managers every six months against our Quality Management system and Port Operations Manual.

Service Delivery Team

The team which will deliver the management of the ports and harbour facilities and the relationship with port operators and owners is set out in Figure 1.3.4 (d).

[Redacted text]

[Large redacted area]

Contractual meetings and frequencies

CFL is committed to engagement with port owners post-Contract Award for CHFS and during each year of the Contract until 2024 – according to the Contract management and review process as shown in Figure 1.3.4 (e).

[Redacted text]

The negotiation process will be concluded through meetings that will take place no less frequently than once every six months, or more often when particular issues arise, for example, new projects or variances in delivery of service levels agreed.

Service Level Agreements

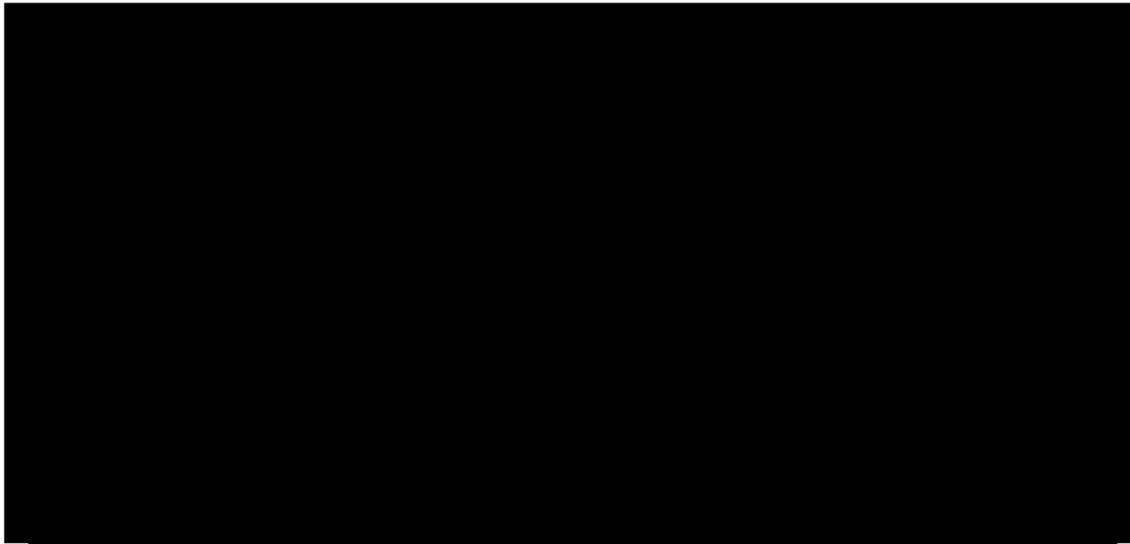
SLAs will be monitored by the Director of Service Delivery in month-end reconciliation with each port owner. Each port authority will be included and prioritised in terms of where there is greatest absence of written terms. Table 1.3.4 (f) describes the proposed phasing of contracts and SLAs, generally bounded by the following requirements:

- » A requirement on the third party port owner to ensure that the harbour and berths are kept open and the piers free from obstruction to enable the Ferry Operator to provide the CHFS Services as per the timetable
- » A requirement on the third party port owner to provide the CHFS Operator with such information as may be required by the Scottish Ministers from time to time. CFL will support requirements to facilitate the provision of port information to Transport Scotland:
 - Safety
 - Environment
 - Compliance with marine legislation and best practices

Separate invoicing and contracts

Where CFL provides services to the port owners, their contract will clearly define the services provided together with the costs associated. We will invoice the port owner to ensure transparency

[Redacted content]



Agreeing Contracts and Service Level Agreements with the port owners

During the period between CHFS Contract Award and CHFS Contract Commencement, our Director of Service Delivery (supported by our Harbours Team) will draft contracts and agree SLAs with each port owner. We will use all current legal and professional support to facilitate this process and, if necessary, will escalate any issues with Transport Scotland.

This will provide Transport Scotland with transparency and certainty about which party provides each service, at each location and at what cost. We anticipate that all port owners will be supportive of this approach and that we will undertake a process, the outcome of which may differ for each port owner.

We will complete contracts and SLAs in four phases as outlined in Table 1.3.4 (d).

Table 1.3.4 (d) Phasing of contracts and SLAs.

Phase	Timing and activity
Phase One	Bid submission up to Contract Award and by 31th May 2016. Agreeing terms and service level agreement content. Costs locked down for final negotiation Phase 2.
Phase Two	From Contract Award May and up to 30th June 2016. Legal and Contract documents drawn up and agreed.
Phase Three	Up to 30th September 2016. Final review and contracts signed for 1 st October 2016
Phase Four	1st Oct 2016. Commencement of new Contract and new agreements with harbour authorities

The Director of Service Delivery will use the expertise of harbour and marine professionals within the business to once annually audit and assess all services procured from port owners or, conversely, provided to the port owners. Table 1.3.4 (e) shows examples of the quality measures we will place in our agreements.

This activity will be in compliance with the requirements of the Scottish Government Ferries Plan and all relevant marine safety, Port Marine Safety Code (PMSC), port,

environmental and labour legislation. Audit findings will be discussed at the first appropriate meeting date.

Table 1.3.4 (e) Example SLAs to be negotiated.



The gap analysis compiled between our vision of a model port and what currently exists will drive a number of short, medium and long-term initiatives, to bring facilities nearer to the ideal port. [REDACTED]

The benefits of this approach are:

- » Raised aspirations and port improvements that benefit all ferry and port customers, as well as a range of stakeholders
- » Improved partnerships between the ferry Operator and port owners
- » Increased customer satisfaction for all port users and surrounding communities. We will drive a better process, working with multiple agencies to share learning about different needs and issues across the network

Performance measurement and improvement

Prior to finalisation of contracts and SLAs, [REDACTED] will conduct port facility health checks to review earlier gap analysis and establish a baseline from which to monitor the performance of the port services contracts. Measures will include quality, environmental performance, customer experience and compliance.

Implementing contractual SLAs will ensure delivery (and in the event of non-delivery will enable escalation) of operational requirements crucial to CHFS. Example measures to maintain turnaround times will include:

- » Infrastructure operationally adequate to accommodate deployment of vessel ramps and, where required, attachment of passenger access systems in the allotted turnaround times

- » Adequate marshalling lanes and manoeuvring space to allow discharging and reloading full capacity loads (to include the deployment and stowage of mezzanine decks where fitted and / or the need to provide a dropped trailer service)
- » The port hinterland (current and future ports), especially surrounding roads and the potential for them to support / restrict traffic operations to and from the port

We will continuously measure performance against agreed performance indicators to create opportunity for to challenge and improve facilities throughout the term of the Contract.

Encouraging best practice through our Model Port vision and 'Taking Pride in our Ports'

[Redacted text block]

Escalation process

An escalation regime will be included in each SLA to address any failure by port owners or CFL to meet agreed service levels. The monitoring of performance indicators will underpin each contract and form the basis for discussion at contract review meetings which will take place twice per year – one every six months.

[Redacted text block]

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[Redacted text] The benefits of this approach enable:

- » A substantive review of what, and how much, CFL is paying for services at the ports, creating the opportunity for cost and service performance analysis
- » Creation of a base cost model on which to benchmark value for money in terms of ports provision, to understand if there is a revenue and social benefit or opportunity in sharing service provision
- » Clarity of responsibility will also improve performance in:
 - Safety
 - Environment
 - Compliance with marine legislation and best practices.

Community involvement

We recognise the importance of the services that the ports network delivers to the peninsulas, islands and mainland hinterlands surrounding them.

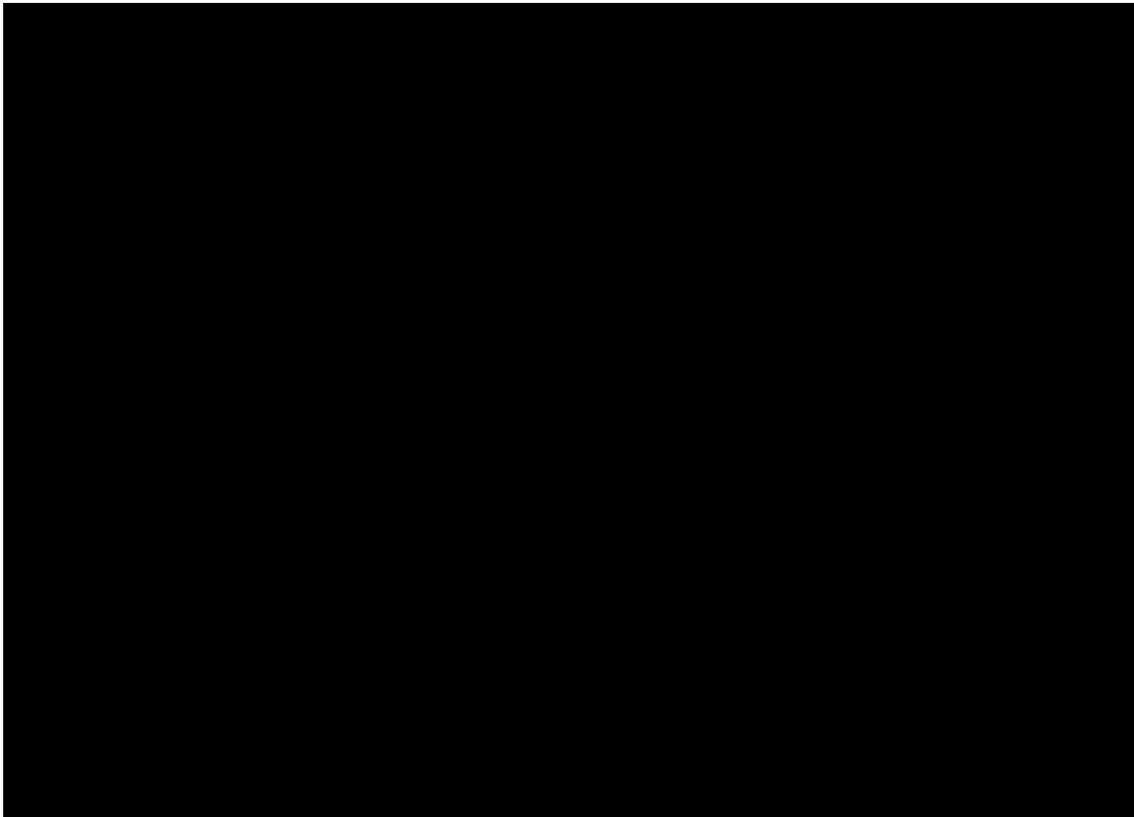


Fig 1.3.4 (f) An example of where we are able to make use of port facilities to allow community benefit events to take place. Tarbert (Harris) port office hosted Gairm nan Gàidheal – Call of the Gael – a Scottish National Touring World War One exhibition in 2015.

We will work with agencies to identify temporary or semi-permanent exhibitions and featured displays that could be hosted in the port public areas, which may have local or national significance. If it is outwith the terms of use of the lease granted to CFL, we will seek approval of the port owner and offer the use of our premises to community groups and forums which may face challenges in finding small spaces for meetings or events in the locality or where these facilities do not exist or are temporarily unavailable.

We want to work with our port owners to make the ports safe, attractive, clean and economically viable for the benefit of their communities and to recognise the role of these locations in lifeline service areas.

In conclusion

Our approach and close working relationship with the port owners allows us, as a stakeholder in non-CMAL locations, the potential to positively impact upon the customer experience.

From the CHFS customers' perspective, the ferry operator and port owner are often viewed as one and the same, so it is important to the CHFS customer and Transport Scotland for CFL to make the ports customer experience safe, clean, efficient and enjoyable.

Service offerings and contractual undertakings milestones

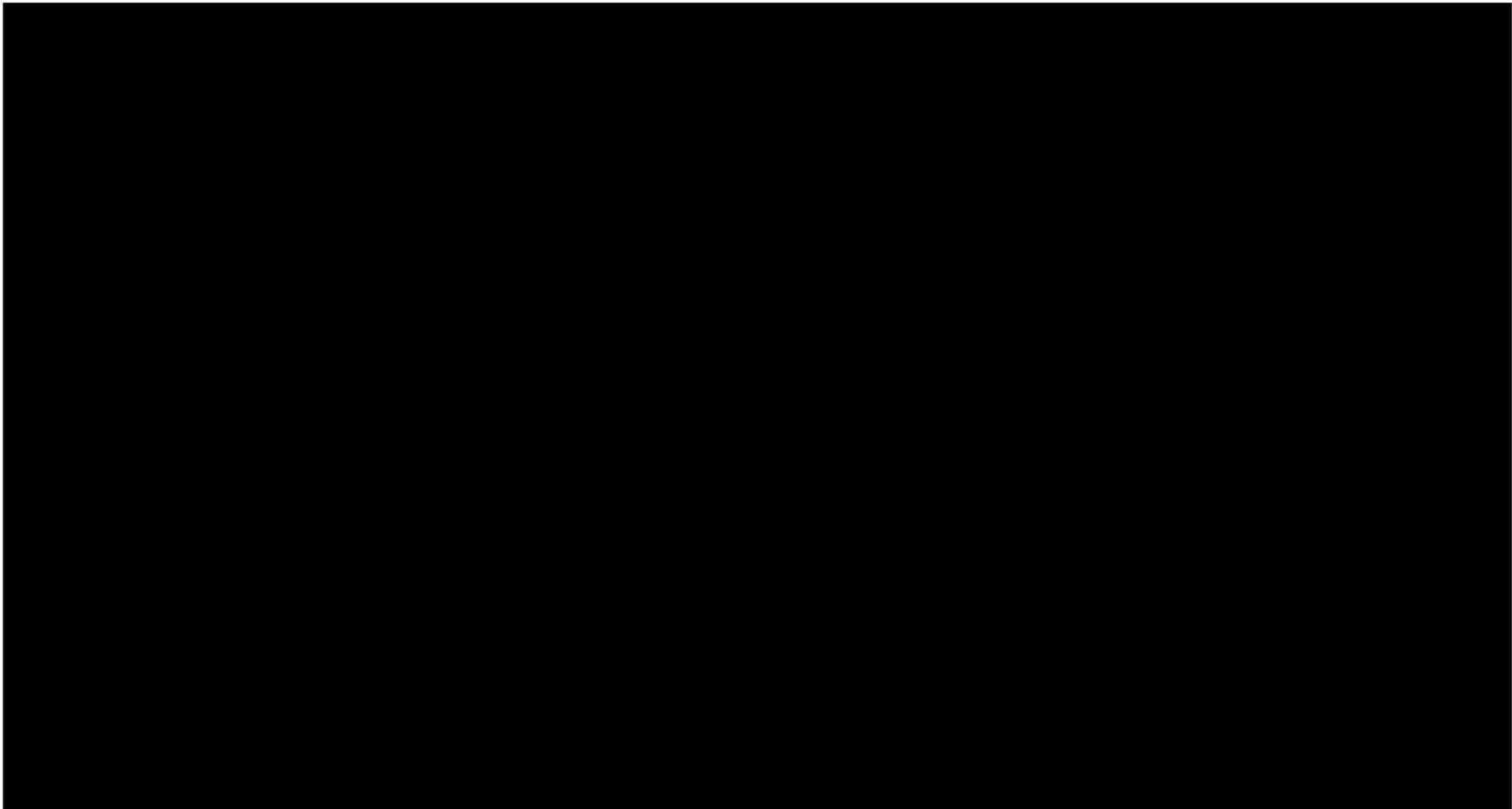
Contractual undertakings	Milestone date
Put in place a contract with each port owner that clearly defines the services we will provide, and the costs associated.	Commencement Date
Service Level Agreements (SLAs) drafted and agreed with each port owner	Commencement Date
Put in place long-term agreements with port owners to secure employment opportunities for the local communities.	Ongoing
All services procured from port owners or provided by CFL will be in compliance with the requirements of the Scottish Government Ferries Plan	Commencement Date and ongoing
Comply with all relevant marine safety, such as the Port Marine Safety Code (PMSC), port, environmental and labour legislation	Commencement Date and ongoing
Engage with port owners to deliver the model ports concept, setting out timelines and cost allocations	Ongoing
Conduct a series of port facility health checks against our quality management system and port operating manual.	As necessary minimum once per year
Performance monitor, review and benchmark. CFL will test value for money with each port owner through a regular formal performance review meeting.	Once every six months
Report information, incidents, events and issues to Transport Scotland relating to the delivery of CHFS from third party port locations	During mobilisation and throughout the contract.

Separate listings are provided for each Port as set out in the tables overleaf in 1.3.4 Appendix A – Facilities which will be undertaken by CFL.

1.3.4 Appendix A - Facilities which will be undertaken by the Operator

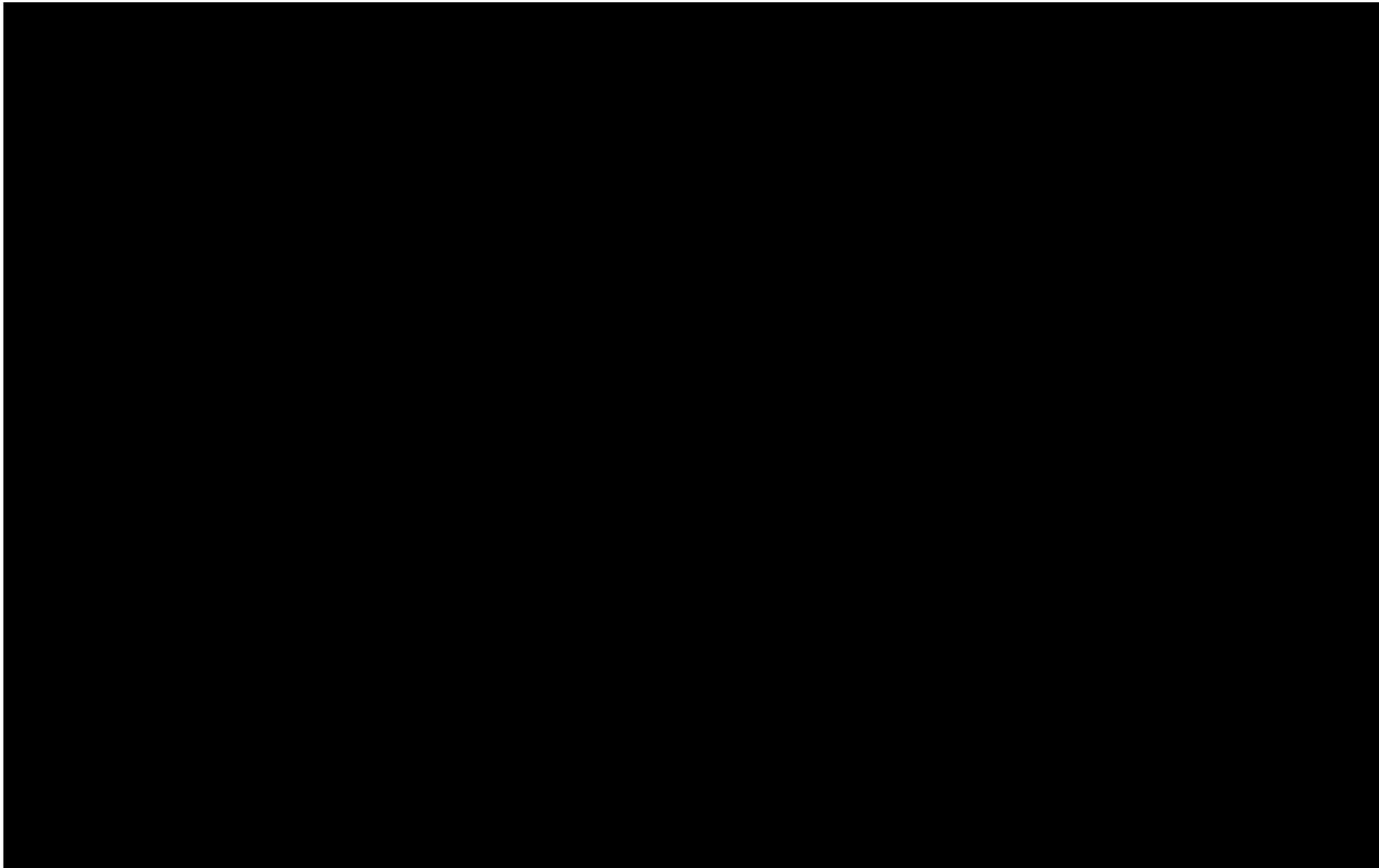
This table shows the operations that as the operator we propose to undertake at each of the ports (represented by an 'X')

[Redacted]



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- 4.3 The facilities that the Operator shall provide are included in the provisions set out under paragraph 3.2 above:

5 Information and Compliance Undertakings

- 5.1 The Operator shall throughout the Grant Period and so long as any obligations are owing by the Operator in terms of this Contract:
- 5.1.1 comply with the provisions of the Principal Contracts at all times;
 - 5.1.2 comply with the terms of the Insurances at all times;
 - 5.1.3 ensure that at all relevant times all licences, approvals, consents and permits required under Applicable Law which are (i) required for the use and operation of the Harbours and (ii) the absence of which would either expose the Scottish Ministers to any risk of any liability are, in each case, obtained and maintained in full force and effect;
 - 5.1.4 furnish the Scottish Ministers promptly with all such information as they may from time to time reasonably require regarding the Harbour, the Insurances so far as appropriate to the Harbour, conditions and maintenance;
 - 5.1.5 comply at all times with the Port Marine Security Code; and
 - 5.1.6 appoint and maintain all key employees required for the provision of the Services, replace such employees as necessary within a reasonable time frame and develop and implement a retention policy.

6 Operational and maintenance obligations

- 6.1 The Operator shall throughout the Grant Period and so long as any obligations are owing by the Operator in terms of this Contract:
- 6.1.1 notify the Scottish Ministers forthwith upon becoming aware of the same by facsimile transmission thereafter confirmed by letter and in reasonable detail of:
 - 6.1.1.1 any event which occurs in connection with the Harbour which affects or may reasonably be expected to materially affect the rights of the Scottish Ministers or involves or may reasonably be expected to involve any material loss or liability;

- 6.1.1.2 the occurrence of any litigation involving, or criminal proceedings against, the Operator;
- 6.1.1.3 the occurrence of any Event of Default;
- 6.1.1.4 any notices, requirements or recommendations made by or on behalf of a governmental or statutory body or agency. This includes, but is not limited to, notices, requirements or recommendations made by or on behalf of:
- an Inspector under the Welfare of Animals (Transport) Order 1997 or the Animal Health Act 1981;
 - the Health and Safety Executive (HSE) or any other agency of the Health and Safety Commission;
 - the Scottish Environment Protection Agency (SEPA);
 - the Marine Accident Investigation Branch;
 - the MCA;
 - the Northern Lighthouse Board.
- 6.1.2 maintain an emergency response plan and undertake the appropriate exercises for training purposes;
- 6.1.3 prior to the Commencement Date carry out a full risk assessment, clearly identifying the risks associated with the Contract;
- 6.1.4 operate a procedure in accordance with the Customer Care and Accessibility Process, available for inspection by the Scottish Ministers, pursuant to which service users or other parties having an interest can make complaints; such complaints and any related rectification action or response to be recorded;
- 6.1.5 procure that there are in place quality management systems in respect of all activities relating to the Harbour; and
- 6.1.6 pay all sums payable to Harbour Authorities under their Terms and Conditions and immediately notify the Scottish Ministers upon becoming aware of any disputed amount under the Terms and Conditions.
- 6.2 The Operator shall throughout the Grant Period to the extent required and permitted in the Terms and Conditions of the Harbour Authorities and arising from the operation of the Fleet Vessels and the provision of the Services procure that:
- 6.2.1 the Harbour and berths are kept open and the piers free from obstruction;
- 6.2.2 all lights, buoys and other aids to navigation are operated and maintained in accordance with the requirements of the MCA;

- 6.2.3 the Harbour Areas at the Harbours are kept in proper, neat and tidy order and condition and free of litter;
- 6.2.4 adequate records are kept of the numbers of passengers and vehicles (including vehicle lengths and, where required by law, vehicle weights) using the Harbour for the purposes of embarking on or disembarking from all vessels using the Harbour (whether operated by the Operator or not) and of the volume, nature and weight of all freight (including fish, livestock fuel and basic materials) carried on such vessels;
- 6.3 The Operator shall throughout the Grant Period:
- 6.3.1 operate, maintain, repair and replace the Transferring Assets at the Harbours as necessary;
- 6.3.2 maintain full and accurate records relating to any transferred responsibilities so far as relating to the Harbours; and
- 6.3.3 notify the Scottish Ministers as soon as it becomes aware of any Relief Event as listed in Schedule 15 so far as relating to the Harbours.

7 Provision of Ports of refuge and associated Port Facilities for Passengers.

- 7.1 When for emergency reasons including weather it would be unsafe for a Vessel to continue its journey to its destination Port, the availability of the following alternative safe harbours will be procured by the Operator and disembarking Passengers will have the following facilities made available to them.

1.3.6 Port Facilities Available in Emergencies

Service offerings and contractual undertakings

A list of Ports of Refuge, to be used in emergency situations arising while vessels are at sea, is provided in Table 1.3.6 (b). This table details where passengers, crew and vehicular traffic are able to safely disembark the vessel, and where loose freight can be safely discharged for each service route, and assumes that as well as alternative ports, the port of original departure may be the best option.

The Ports of Refuge list is central to the emergency planning process as part of the Operator's Safety Management System (SMS). As such it is in regular use and requires specific continual update actions to keep it relevant, consistent and understood [REDACTED]

[REDACTED]
[REDACTED]
[REDACTED] appropriate action taken where passage plans are incomplete – for example the proximity or range for the emergency services.

The Ports of Refuge list will be kept current as part of the SMS, [REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]

The list will be reviewed monthly against planned works on ports or vessels [REDACTED]
[REDACTED]
[REDACTED] when a change to the specification of a port or vessel may impact port accessibility. For example, changes to specification may include modification of a vessel's bow / stern doors, moving mooring equipment on a berth, or alterations to gangway portals. [REDACTED]
[REDACTED]
[REDACTED]

[REDACTED] any change to legislation is captured and subsequently reflected in the list, and that any change to port footprints are evidenced for a refresh or inclusion in the list.

[REDACTED]
[REDACTED]

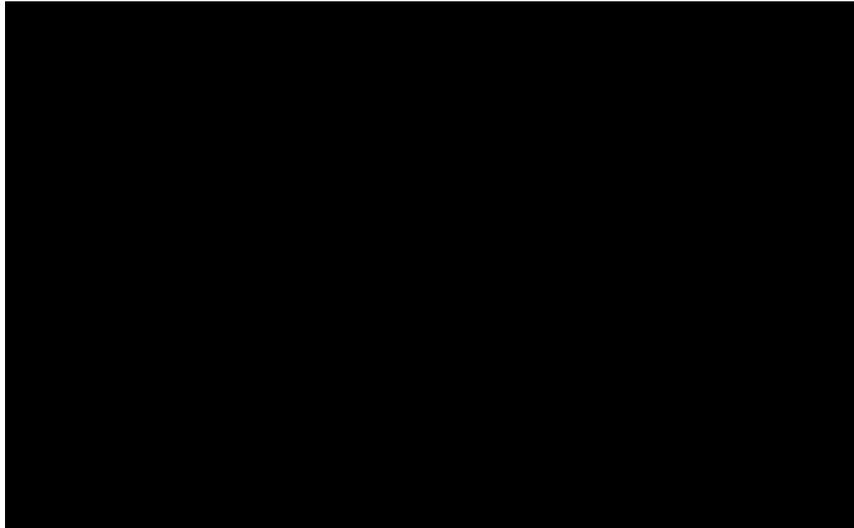
Where there is an opportunity to test vessel and port interfaces with normal operational hours, facilities will be tested and the list updated accordingly. [REDACTED]
[REDACTED]
[REDACTED] We will minimise disruption to service and plan the test is around vessels going to and from dry-dock.

After any emergency situation, the [REDACTED] will review the outcomes and make any necessary alterations to the list.

The current Port of Refuge list is readily available (in print and electronically) and will be communicated to the operations team during mobilisation. This will ensure that [REDACTED] have accurate real time information on the options available, pertinent to the emergency at the outset of the new contract.

In terms of the port interface, condition monitoring and ports management will have similar control measures to ensure that the vessel operator is consulted and advised of any potential alterations to the piers, quaysides, fenders, linkspans, slipways or gangways in each location. Alterations to navigation will be advised by Notice to Mariners by the statutory harbour authority.

The following RACI (Responsible, Accountable, Consulted, and Informed) table shows the minimum input required from all departments and stakeholders to inform the list:

**Separate listing of Ports of Refuge for each service route**

The list below provides the detail for each route and alternative Port of Refuge that can be used in the event of an emergency. Denoted with 'Y', the list shows if the alternative port has the:

- a) Capability to disembark passengers
- b) Capability to disembark cars and Ro-pax freight
- c) Capability to discharge loose freight

The notes on alternative ports are based on vessels which would normally be deployed on that route.

Table 1.3.6 (b) Ports of Refuge List showing disembarkation capability by route, by vessel.

Route	Normal Service Vessels and Regular Relief	Return to Port Options	Alternative Ports	Note	(a) Disembark Passengers	(b) Disembark Vehicles	(c) Disembark Loose Freight
Ullapool-Stornoway							
	» MV Loch Seaforth <i>Relief: MV Hebrides/MV Clansman/MV Isle of Lewis</i>	<i>Ullapool/Stornoway</i>	Tarbert (Harris)	All major vessels with the exception of the MV Loch Seaforth - may be tidal for MV Isle of Lewis	Y	Y	Y
			Stornoway (Pier 1)	Alternative berth (Berth#1 instead of #3 for all except MV Loch Seaforth)	Y	Y	Y
			Scrabster	No restrictions	Y	Y	Y
			Uig	All major vessels with the exception of the MV Loch Seaforth - may be tidal for MV Isle of Lewis	Y	Y	Y
Uig-Tarbert-Lochmaddy							
	» MV Hebrides <i>Relief: MV Finlaggan*</i>	<i>Lochmaddy/ Uig/Tarbert</i>	Stornoway	No restrictions	Y	Y	Y
			Ullapool	No restrictions	Y	Y	Y
			Scrabster	No restrictions	Y	Y	Y
			Lochboisdale	May be tidal	Y	Y	Y
			Mallaig	*Only if MV Lord of the Isles is relieving on the Uig triangle	Y	Y	Y
			Armadale	Emergency only face of pier	Y	Y	Y
			Oban	No restrictions	Y	Y	Y
Leverburgh-Berneray							
	» MV Loch Portain <i>Relief: MV Loch Bhrusda</i>	<i>Leverburgh/ Berneray</i>	Tarbert (Harris)	All vehicles and passengers via ramp to linkspan	Y	Y	Y
			Lochmaddy	All vehicles and passengers via ramp to linkspan	Y	Y	Y

Route	Normal Service Vessels and Regular Relief	Return to Port Options	Alternative Ports	Note	(a) Disembark Passengers	(b) Disembark Vehicles	(c) Disembark Loose Freight
Ardmhor-Eriskay							
	» MV Loch Alainn <i>Relief: MV Loch Bhrusda</i>	<i>Ardmhor/Eriskay</i>	Castlebay	All vehicles and passengers via ramp to linkspan	Y	Y	Y
			Lochboisdale	All vehicles and passengers via ramp to linkspan	Y	Y	Y
			Ardveenish	Emergency only face of pier	Y	N	Y
Mallaig-Lochboisdale							
	» MV Lord of the Isles. <i>Relief: No other major unit can be utilised in Mallaig.</i>	<i>Mallaig/ Lochboisdale/ Castlebay/Oban</i>	Castlebay	Inter-island service could be used to link.	Y	Y	Y
			Uig	No restrictions	Y	Y	Y
			Oban	No restrictions	Y	Y	Y
			Armadaile	May require movement of temporary fenders	Y	Y	Y
Sconser-Raasay							
	» MV Hallaig <i>Relief: MV Loch Striven</i>	<i>Sconser/Raasay</i>	Old Raasay slipway	No restrictions	Y	Y	Y
			Portree	No restrictions	Y	N	Y
			Kyle of Lochalsh	No restrictions	Y	Y	Y
Mallaig-Armadaile							

Route	Normal Service Vessels and Regular Relief	Return to Port Options	Alternative Ports	Note	(a) Disembark Passengers	(b) Disembark Vehicles	(c) Disembark Loose Freight
	» MV Coruisk <i>Relief: MV Lochnevis or Loch class vessel</i>	<i>Mallaig/Armadale</i>	Kyleakin	MV Lochnevis or relief Loch Class vessel to slipway only	Y	Y	Y
			Kyle of Lochalsh	MV Lochnevis or relief Loch Class to slipway only	Y	Y	Y
Mallaig - Small Isles							
	» MV Lochnevis <i>Relief: MV Loch Bhrusda</i>	<i>Mallaig/Armadale</i>	Eigg	No restrictions	Y	Y	Y
			Rum	No restrictions	Y	Y	Y
			Canna	No restrictions	Y	Y	Y
			Muck	No restrictions	Y	Y	Y
			Kyle of Lochalsh	MV Lochnevis or relief Loch Class vessel to slipway only	Y	Y	Y
Oban-Castlebay-Lochboisdale							
	» MV Lord of the Isles MV Clansman <i>Relief: MV Hebrides/MV Isle of Arran/MV Hebridean Isles</i>	<i>Oban/Castlebay/Lochboisdale</i>	Lochmaddy	No restrictions	Y	Y	Y
			Coll	No restrictions	Y	Y	Y
			Tiree	No restrictions	Y	Y	Y
			Tobermory (Two vessels only and requires pier modifications)	*MV Hebridean Isles / MV Lord of the Isles could discharge cars via hoist if pier fittings altered.	Y	*	N
			Craignure	No restrictions	Y	Y	Y
Oban-							

Route	Normal Service Vessels and Regular Relief	Return to Port Options	Alternative Ports	Note	(a) Disembark Passengers	(b) Disembark Vehicles	(c) Disembark Loose Freight
Coll/Tiree/Castlebay							
	» MV Lord of the Isles/MV Clansman <i>Relief: MV Hebrides/MV Isle of Arran/MV Hebridean Isles MV Clansman</i>	<i>Castlebay/Coll/Tiree/Oban</i>	Lochboisdale	May be tidal	Y	Y	Y
			Lochmaddy	No restrictions	Y	Y	Y
			Tobermory (Two vessels only and requires pier modifications)	*MV Hebridean Isles / MV Lord of the Isles could discharge cars via hoist if pier fittings altered.	Y	*	N
			Craignure	No restrictions	Y	Y	Y
					Y	Y	Y
Oban-Coll - Tiree							
	» MV Lord of the Isles/MV Clansman <i>Relief: MV Hebrides/MV Hebridean Isles/ MV Isle of Arran</i>	<i>Oban/Coll/Tiree</i>	Castlebay	No restrictions	Y	Y	Y
			Craignure	No restrictions	Y	Y	Y
			Lochmaddy	No restrictions	Y	Y	Y
			Tobermory (Two vessels only and requires pier modifications)	*MV Hebridean Isles / MV Lord of the Isles could discharge cars via hoist if pier fittings altered.	Y	*	N
			Mallaig	MV Lord of the Isles only	Y	Y	Y
			Uig	No restrictions	Y	Y	Y
Tobermory-Kilchoan							
	» MV Loch Linnhe <i>Relief: MV Raasay</i>	<i>Tobermory/Kilchoan</i>	Tobermory Pontoons	No restrictions	Y	N	N
			Lochaline	No restrictions	Y	Y	Y

Route	Normal Service Vessels and Regular Relief	Return to Port Options	Alternative Ports	Note	(a) Disembark Passengers	(b) Disembark Vehicles	(c) Disembark Loose Freight
			Oban South Pier slipway	May be tidal	Y	Y	Y
Lochaline-Fishnish							
	» MV Loch Fyne Relief: <i>MV Loch Dunvegan</i>	<i>Lochaline/ Fishnish</i>	Kilchoan	No restrictions	Y	Y	Y
			Oban South Pier Slipway	Tidal restrictions	Y	Y	Y
			Oban North Pier	No restrictions	Y	N	N
			Craignure	All vehicles and passengers via ramp to linkspan	Y	Y	Y
			Tobermory		Y	Y	Y
Oban-Lismore							
	» MV Loch Striven Relief: <i>MV Loch Riddon</i>	<i>Oban/ Lismore</i>	Fishnish	No restrictions	Y	Y	Y
			Craignure	All vehicles and passengers via ramp to linkspan	Y	Y	Y
			Lochaline		Y	Y	Y
Oban-Craignure							
	» MV Isle of Mull/ MV Lord of the Isles/ MV Clansman Relief: <i>MV Isle of Arran</i>	<i>Oban/ Craignure</i>	Oban North Pier	No restrictions	Y	N	Y
			Mallaig	M.V.Lord of the Isles only	Y	Y	Y
			Kennacraig	No restrictions	Y	Y	Y

Route	Normal Service Vessels and Regular Relief	Return to Port Options	Alternative Ports	Note	(a) Disembark Passengers	(b) Disembark Vehicles	(c) Disembark Loose Freight
Oban-Colonsay							
	» MV Isle of Mull/ MV Lord of the Isles/ MV Hebridean Isles	<i>Oban/Colonsay</i>	Port Askaig	No restrictions	Y	Y	Y
	<i>Relief: MV Isle of Arran</i>		Port Ellen	No restrictions	Y	Y	Y
			Kennacraig	No restrictions	Y	Y	Y
			Craignure	No restrictions	Y	Y	Y
Fionnphort-Iona							
	» MV Loch Buie	<i>Iona/Fionnphort</i>	Bull Hole	For safe berth to tie up alongside – not for discharge	N	N	N
	<i>Relief: MV Loch Linnhe</i>		Bunessan Pier	Emergency only face of pier	Y	N	N
			Tobermory	No restrictions	Y	Y	Y
			Fishnish	No restrictions	Y	Y	Y
Oban/ Kennacraig – Port Askaig/ Colonsay							
	» MV Isle of Arran	<i>Oban/Colonsay</i>	Port Askaig	No restrictions	Y	Y	Y
	<i>Relief: MV Hebridean Isles</i>		Port Ellen	No restrictions	Y	Y	Y
			Kennacraig	No restrictions	Y	Y	Y
			Craignure	No restrictions	Y	Y	Y
Kennacraig-Islay							

Route	Normal Service Vessels and Regular Relief	Return to Port Options	Alternative Ports	Note	(a) Disembark Passengers	(b) Disembark Vehicles	(c) Disembark Loose Freight
	» MV Finlaggan/MV Hebridean Isles Relief: MV Isle of Arran	<i>Oban/Colonsay/ Port Ellen/ Kennacraig/ Port Askaig</i>	Port Askaig	No restrictions	Y	Y	Y
			Port Ellen	No restrictions	Y	Y	Y
			Kennacraig	No restrictions	Y	Y	Y
			Craignure	No restrictions	Y	Y	Y
			Campbeltown	No restrictions	Y	Y	Y
			Ballycastle NI	No restrictions	Y	Y	Y
			Ardrossan	No restrictions	Y	Y	Y
Tayinloan-Gigha							
	» MV Loch Ranza Relief: MV Loch Riddon	<i>Tayinloan/Gigha</i>	Overnight berth (South Pier) Gigha	No restrictions	Y	N	N
			Kennacraig	No restrictions	Y	Y	Y
Portavadie – Tarbert							
	» MV Lochinvar Relief: MV Loch Tarbert	<i>Portavadie/Tarbert</i>	Claonaig	No restrictions	Y	Y	Y
			Quarry/ Log Pier	Emergency only face of pier	Y	N	N
			Lochranza	No restrictions	Y	Y	Y
Claonaig - Lochranza							
	» MV Loch Tarbert	<i>Claonaig/Lochranza</i>	Lamlash	May be tidal	Y	Y	Y

Route	Normal Service Vessels and Regular Relief	Return to Port Options	Alternative Ports	Note	(a) Disembark Passengers	(b) Disembark Vehicles	(c) Disembark Loose Freight
			Slipway				
	<i>Relief: Loch class other</i>		Brodick	All vehicles and passengers via ramp to linkspan	Y	Y	Y
			Tarbert Loch Fyne	No restrictions	Y	Y	Y
			Portavadie	No restrictions	Y	Y	Y
Campbeltown - Brodick – Ardrossan							
	» MV Isle of Arran <i>Relief: MV Hebridean Isles</i>	<i>Brodick/Ardrossan/Campbeltown</i>	Kennacraig	No restrictions	Y	Y	Y
			Troon	No restrictions	Y	N	N
			Gourock	No restrictions	Y	Y	Y
			Ayr	Emergency only face of pier	Y	N	N
			Fairlie	Emergency only face of pier	Y	N	N
			Wemyss Bay	<85 metre vessels only	Y	Y	Y
Ardrossan – Brodick							
	» MV Caledonian Isles/MV Isle of Arran <i>Relief: MV Hebrides</i>	<i>Brodick/Ardrossan</i>	Kennacraig	No restrictions	Y	Y	Y
			Troon	No restrictions	Y	N	N
			Campbelltown	No restrictions	Y	Y	Y
			Gourock	No restrictions	Y	Y	Y
			Ayr	Emergency only face of pier	Y	N	N
			Fairlie	Emergency only face of pier	Y	N	N
			Wemyss Bay	<85-metre-long vessels only	Y	Y	Y

Route	Normal Service Vessels and Regular Relief	Return to Port Options	Alternative Ports	Note	(a) Disembark Passengers	(b) Disembark Vehicles	(c) Disembark Loose Freight
Wemyss Bay – Rothesay							
	» MV Argyle/MV Bute Relief: <i>MV Coruisk</i>	<i>Wemyss Bay/ Rothesay</i>	Gourock		Y	Y	Y
			Dunoon	<85-metre-long vessels only	Y	Y	Y
			Greenock	Emergency only face of pier	Y	N	N
			Roseneath Jetty	Emergency only face of pier	Y	N	N
			Ardrossan		Y	Y	Y
			Largs	Emergency only face of pier	Y	N	N
Colintraive - Rhubodach							
	» MV Loch Dunvegan Relief: <i>MV Loch Tarbert</i>	<i>Colintraive /Rhubodach</i>	Ardmaleish	May be tidal	Y	Y	Y
			Rothesay	All vehicles and passengers via ramp to linkspan	Y	Y	Y
			Port Bannantyne Pier	May be tidal	Y	Y	Y
			Port Driseach (Tighnabruich)	May be tidal	Y	Y	Y
Largs - Cumbrae							
	» MV Loch Shira/MV Loch Riddon Relief: <i>MV Isle of Cumbrae</i>	<i>Largs/Cumbrae</i>	Largs(not slipway)	No restrictions	Y	N	N
			Wemyss Bay	All vehicles and passengers via ramp to linkspan	Y	Y	Y
			Gourock	All vehicles and passengers via ramp to	Y	Y	Y

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Clyde and Hebrides Ferry Services
 Contract for Provision of Ferry Services
 Schedule 5

Route	Normal Service Vessels and Regular Relief	Return to Port Options	Alternative Ports	Note	(a) Disembark Passengers	(b) Disembark Vehicles	(c) Disembark Loose Freight
				linkspan			
			Dunoon	All vehicles and passengers via ramp to linkspan	Y	Y	Y
			Rothesay	All vehicles and passengers via ramp to linkspan	Y	Y	Y
			Greenock	No restrictions	Y	N	N
			Largs slip	No restrictions	Y	Y	Y
			Cumbræ slip	No restrictions	Y	Y	Y

Service offerings and contractual undertakings milestones

Contractual undertakings	Milestone date
Drill scenarios reviewed, tested and embedded in the passage planning framework.	End CY1*
The list will be maintained by the Service Delivery team and updated when changes are made to the vessels or ports.	6 monthly at Contract year end and midpoint
Port of refuge tested and confirmed when vessels redeployed or new vessels introduced	Prior to redeployment or introduction

*CY – Contract Year

PART E: TRANSFERRING ASSETS REGISTER

The following list of Transferring Asset classes will be developed jointly by the Operator in consultation with outgoing operator within the Mobilisation Period to provide a Transferring Asset Register:

The screenshot shows a folder with the following items:

- Overall description of Asset Classes
 - Classes of Asset V2.xlsx
- List of Transferring Asset Classes
 - CHPS Mail 3.9 Schedule 5 Part...
 - Support Services and Workshop Asset Clas:
 - Port Asset Classes.xlsx
 - Copy of 15 Asset Classes Draft...
- Project Valiant (boxed text)

Signed for and on behalf of the Scottish Ministers

Signed for and on behalf of Calmac Ferries Ltd

Signature.....

Signature.....

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Clyde and Hebrides Ferry Services
Contract for Provision of Ferry Services
Schedule 6 - 17

SCHEDULES 6-17 ARE INCLUDED IN PARTS 2 AND 3